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# ***Daily Report***

## **China**

FBIS-CHI-88-058  
Friday  
25 March 1988

# Daily Report

## China

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## General

### Li Peng Meets World Bank President Conable

OW250431 Beijing XINHUA in English 1642 GMT  
24 Mar 88

[Text] Beijing, March 24 (XINHUA)—Chinese Acting Premier Li Peng said today that the cooperation between China and the World Bank has been fruitful and that he hoped such cooperation would develop further.

Li made the remarks at a meeting with Barber Conable, president of the World Bank, and his party here today.

Li Peng expressed welcome to the guests on behalf of the Chinese Government.

He also thanked the World Bank for its help in China's economic construction.

China is now actively implementing its reform and open policy, and is undertaking economic construction on a large scale. Therefore, Li said, it needs a huge amount of money.

"We will rely on our own efforts, while trying to absorb and use foreign funds," he added.

Having briefed the guests on China's agricultural situation, Li said that China attaches great importance to its agricultural development and hopes to strengthen cooperation with the World Bank in the fields of chemical fertilizer, plastic sheeting, and farm chemicals.

The acting premier brought up some proposals on bilateral cooperation in water conservancy, energy, and transportation, as well as on loan methods.

Li also briefed the guests on the scheduled restructuring of China's investment system and expressed his willingness to expand China's cooperation with the World Bank in software, exchanges of information, and personnel training.

Conable replied that the World Bank would consider the words of the acting premier seriously and make a positive response.

He expressed his hope that the World Bank and China would continue to exchange views and further their cooperation.

Later today, Chinese Vice Premier Yao Yilin also met with Conable and held talks with him on the World Bank's loans to China.

### IDA To Help Fund Irrigation Project

OW250244 Beijing XINHUA in English 0104 GMT  
25 Mar 88

[Text] Washington, March 24 (XINHUA)—The International Development Association (IDA) today announced an interest-free credit of 103 million dollars to help China carry out a new irrigation project that will lead to increased crop production of 93 million dollars a year.

The IDA, a self-loan affiliate of the World Bank, said that the project, calling for a total fund of 234 million dollars, will improve agricultural production in Inner Mongolia and help reduce poverty in Ningxia, two autonomous regions in China.

More than 120,000 households in the project-covered areas will thereby increase their income and living standards.

It said crops covered by the project include wheat, corn and other grains, oilseeds, sugar beet, fruits and vegetables. Also to benefit from it is local production of lamb and other meats, wool, animal hides and timber.

### Li Xiannian Meets New Ambassadors

OW221356 Beijing XINHUA in English 1107 GMT  
22 Mar 88

[Text] Beijing, March 22 (XINHUA)—Chinese President Li Xiannian met here today with four new ambassadors to China at the Great Hall of the People.

The ambassadors were Eulogio Oyo Riquesa of Equatorial Guinea, Earl G. Drake of Canada, David Sadleri of Australia and Noel Levi of Papua New Guinea.

During the meeting, the Chinese President said that all the people, governments and parliaments in the world cherish peace not war.

Li urged the United States and Soviet Union to take the lead in reducing their arsenals, nuclear weapons in particular. Their conventional weapons should also be cut to the minimum, he added.

"All countries, big or small, should have a say in disarmament," Li concluded.

## United States & Canada

### Journal Views U.S. Defense Strategy Report

HK250857 Beijing LIAOWANG in Chinese No 10,  
7 Mar 88 pp 39-40

[Article by Cui Liru (1508 4539 1172): "Evaluating 'Distinguishing Deterrence,' a Research Report by the U.S. 'Committee on Long-term General Strategy'"]

[Text] The "Long-term General Strategy Committee" recently put forth its research report entitled "Distinguishing Deterrence," which reflected the tendency of a "revolution in strategic thinking" appearing in the United States in the 1980's, and the report is now being discussed by the parties concerned.

The "Long-term General Strategy Committee" was organized in October 1986 by then Secretary of Defense Weinberger and National Security Adviser Poindexter. It consists of 13 eminent members, including former National Security Advisers Kissinger, Brzezinski, and Clark, former Chairman of the Joint Chiefs of Staff Vessey, former commandant of the military academy



Goodpastor, former Secretary of the Navy Claytor, former director of the Operations Department of the Navy Holloway, President of Rockefeller University Leideberg, and famous professor of political science Huntington. The co-chairmen of the committee are the current Under Secretary of Defense Ikle and famous strategist (?Wohlftetter).

This namelist of prominent figures undoubtedly has a high degree of representation and authority. No matter what influence this report has, the research project itself and the publication of such a report are of great significance.

The basic thinking expressed in this long-term strategic research report, which cost \$1.6 million, is as follows: Major changes will occur in the international security environment in the next 20 years. The economic strength of Japan and China will grow, while the economic strength of the Soviet Union will decline relatively. The present bipolar world, dominated by the United States and the Soviet Union in the military aspect will, be replaced by a multipolar world with the emergence of some new military powers and intermediate-level powers. The possibility of a full-scale war between the United States and the Soviet Union will lessen. However, regional conflicts and domestic unrest in Third World countries, especially in those the Soviet Union takes advantage of to threaten the security interests of the United States and the West, will become more likely. Therefore, the United States needs to make some major adjustments in its current strategy, and should use its technological advantages to develop "distinguishing deterrence" forces to prepare for coping with a new and more complicated international security environment. It is self-evident that the report put forth some significant and also very controversial viewpoints.

First, what attracted people's attention was the forecast of the economic development of the major countries over the next 20 years. The report said that by the year 2010, the U.S. GNP will continue to have a good lead, and China will have surpassed Japan slightly and hold second place, while the Soviet Union may have fallen to fourth place. Reportedly, the forecasts were based on a report by the Rand Corporation. The analysts of this company adopted the "purchasing power parity" method. They calculated China's economic strength according to the exchange rate of the renminbi against the U.S. dollar and by assuming that China's GNP will grow by 4.6 percent a year. However, most sinologists in the United States held that the forecast regarding China's economy is "too optimistic," and a senior Chinese expert said that the forecast by the Rand Corporation was a "good-will exaggeration" of China's economic strength.

The report did not mention the significance of China's economic strength rising to "second place" in the world, but said that because "military strength reflects economic strength to a certain degree," China "may thus become the third military superpower." "If that is the case, it will have a great impact on the strategic environment of the United States and the whole world." Although many people in the world express optimism

regarding China's economic development prospects and China's four modernizations, I still cannot agree with the report's "overestimation" of China's strength. I do not know why the report did not mention anything about the economies of the West European countries, which hold a rather weighty position in the world.

The forecast of the prospects for the Soviet economy was based on the forecast of a CIA research group. According to this forecast, in the next 20 years, the Soviet GNP will grow at an average rate of 1.6 percent per year if Gorbachev's economic reform is successful. This opinion is rather representative in the United States, because few people among the conservatives or the liberals are optimistic about the Soviet economy. So, what do such dim prospects imply? According to the report, the slow economic growth or stagnation will widen the gap between the Soviet Union and the West, further weaken the competitive power of the Soviet Union, and make it more difficult to bear the burden of arms expansion. However, the Soviet Union will maintain its position as a superpower, and will rely more on military strength. This means that the arms race will continue, and will be especially focused on the high-technology field and outer space. Therefore, the report stresses that the United States must be more prudent and careful in arms control and disarmament negotiations with the Soviet Union, and should not sign any agreement that may restrain the United States from enhancing its military technology and weapons quality. This opinion obviously shows that the military and the hardliners in the United States cherish deep misgivings about Soviet disarmament proposals.

Of more realistic significance were the proposals on the military strategy of the United States over the next 20 years. The report clearly pointed out that the United States should deploy more forces in the regions and areas which may pose threats to the security interests of the United States. In past decades, the United States has always focused its main military and defense strategy on dealing with a Soviet attack against Europe and possible consequent direct full-scale military conflict between the United States and the Soviet Union. In fact, the actual possibility of such a conflict is becoming less and less. In the future, threats will mainly come from conflicts in the Third World, and the possible expansion of Soviet influence through such conflicts. Therefore, U.S. strategy should give priority to its ability to fight "low-intensity wars" in Third World regions. This requires that the United States strengthen its fast-reaction and task forces, and continue to build up its naval forces and make them more mobile and flexible.

In fact, this opinion has been demonstrated in the current military strategy of the Reagan administration.

The original proposal in the report was to stress that the United States should develop the latest technology to make highly accurate long-range missiles that are able to carry small nuclear warheads or conventional warheads. These can be used to strike specific targets in the manner of a "surgical operation." Thus, the United States will have the ability to fight a limited war in a flexible way. This is the core of "distinguishing deterrence" put forth

by the report. By possessing such "nimble" weapons, the United States will be able to interfere directly in regional conflicts if necessary, and can also prevent itself from being directly involved in conflicts. In particular, the overseas military bases of the United States are facing more and more difficulties, and this strategy provides an effective way to reduce dependence on the overseas bases and on the use of other countries' airspace.

Moreover, the new proposal includes another important implication. Since the 1960's, the United States has been pursuing a so-called flexible reaction strategy on the basis of nuclear deterrence in Europe. On 20 January this year, the national security strategy report submitted by the Reagan administration to Congress briefly explained the flexible reaction strategy. The West can have three reaction options to deal with a potential aggressor:

—Direct defense: To check aggression without escalating the conflict;

—Escalation threat: To let the would-be aggressor know that they may pay a much higher cost than they expect or that they can bear;

—Retaliation threat: To make it possible to launch a retaliatory attack against home targets of the aggressor to cause much greater losses than gains.

However, because the Soviet Union enjoys superiority in conventional forces over the West in Europe, the so-called flexible reaction strategy is in fact based on the option of threatening to use tactical nuclear weapons to escalate the conflict. This means that once a war breaks out in Europe, it is very likely to lead to the use of nuclear weapons. This is the most worrying thing for both the opponent and the Western allies. Any measure that seems to make the U.S. nuclear protection commitment more credible may also increase the risk of the failure of deterrence strategy. This is also the reason why the West European allies always hold a contradictory attitude toward the intermediate-range missile issue. The "double-zero option" is not only attractive to the United States and Western Europe in terms of reducing weapons, but also something that they cannot reject politically. However, the hardliners and the military in the United States hold that with the elimination of intermediate-range missiles, a "gap" may appear in the escalating nuclear deterrence structure, thus lowering the credibility of the nuclear deterrence policy. Therefore, they maintain that NATO should strengthen the cruise missiles deployed at sea or in the air to fill the "gap" created by the signing of the INF treaty. The "nimble" weapons mentioned above appear to be a more ideal supplementary means. They will not be subject to the limitations of any arms control treaty, and will be used as a "politically feasible" means of deterrence. The experts on the strategy committee perhaps thought that they might play a role in dealing with the possibility of a future "nuclear-free" central Europe.

Although the members of the strategy committee came from both parties, all of them are basically conservatives. (?Wohlftetter), one of the co-chairmen of the committee, is the main representative figure who has always advocated that "the United States should make preparations for fighting a nuclear war" since the 1950's. He is also a major adviser to the famous Gai Se [5556 3844] Committee. In 1957, this committee submitted a strategic research report to the Eisenhower administration, which played a big role in speeding up the development of strategic nuclear weapons in the United States.

It is now still hard to say how great an influence this report will produce. It was worked out against this background: Changes are occurring in the Soviet Union; bright prospects have appeared in the arms control and disarmament field; a certain new tendency has emerged in relations between the Western allies; and the prospects for the U.S. economy and the military budget are becoming dimmer. This year is election year in the United States, and defense and arms control will be a major topic in the campaign debates. All this will affect the attitude of the next administration toward the report.

## Soviet Union

**Soviet Troop Withdrawal From Afghanistan Viewed**  
*HK241414 Beijing BAN YUE TAN in Chinese No. 5,  
10 Mar 88 pp 52-54*

[Article by contributing correspondent Tang Tianri (0781 1131 2480): "How Should We View the Soviet Union's Troop Withdrawal Plan"]

[Text] Just before Cordovez, the personal representative of the UN secretary general, ended his shuttle visits between Pakistan and Afghanistan on 9 February, Gorbachev, general secretary of the CPSU Central Committee, issued a statement on the evening of 8 February. In the statement, Gorbachev announced a new plan for withdrawing Soviet troops from Afghanistan, including a timetable and a series of policies and principles on the withdrawal. This was an important step by the Soviet Union toward the final settlement of the Afghan issue, which has been followed with interest by the people of the world for many years.

After an analysis of this Soviet troop withdrawal plan, people can see the strategies and tactics the Soviet Union has adopted on the question of a political settlement of the Afghan issue.

Since the indirect talks between Pakistan and Afghanistan were held in Geneva in April 1982, the Soviet timetable for the troop withdrawal has been gradually reduced from 4 years, 3 years, 16 months, and 12 months to the current 10 months (beginning 15 May 1988). The bargain took about 6 years. This long-standing problem has now been basically

solved owing to the lessening of differences between Pakistan and Afghanistan. This also indicates that the Soviet Union is determined to extricate itself from Afghanistan and that progress has been made on the Afghan question toward a political settlement.

However, there is a prerequisite and condition for the Soviet troop withdrawal; that is, some agreements should be signed no later than 15 March 1988 at the Pakistan-Afghanistan Geneva indirect talks, which were to begin on 2 March, and all the agreements should be put into effect in 2 months. It is believed that Gorbachev's intent behind adding this prerequisite to his statement was: First, to pressure Pakistan so that it might sign agreements with the Kabul regime at the mid-March Geneva indirect talks and so that the Soviet Union could withdraw its troops from Afghanistan as scheduled; second, to enable the Kabul regime to be recognized in fact and to be legalized in the international arena through the signing of agreements between Pakistan and Afghanistan; and third, to delay the troop withdrawal and shirk responsibility and shift the blame onto others if no agreements were signed at the Geneva indirect talks. However, the Pakistani Government has openly declared that it will "only sign agreements with the legal Afghan Government" and will refuse to sign any agreement with the illegal Kabul regime.

The Soviet troop withdrawal proposal is in no way connected with the establishment of an interim Afghan government. In his statement, Gorbachev said that the withdrawal of Soviet troops is not related to the establishment of a new coalition government in Afghanistan, because this is an "internal problem of Afghanistan," "which can be solved only by the Afghans." The change in the attitude of the Soviet Union on this question is based on the following consideration: Since the establishment of an interim government in Afghanistan is a very complicated and difficult problem, on which there are great differences between the various sides, if the withdrawal of the Soviet troops is linked with this problem, "which can be made more complicated by attempts to solve it," the Soviet Union will not be able to leave Afghanistan and, moreover, it will be forced to conduct direct negotiations with the Afghan resistance forces. In order to avoid such a difficult situation, the Soviet Union changed its past practice of linking the two to separating them. However, this does not mean that it is no longer interested in the establishment of an interim government in Afghanistan. In fact, it has for a long time been making preparations for dealing with the "aftermath" of the matter: In the political, economic, and military fields, it has been stepping up its efforts to support the Kabul regime, trying to place the People's Democratic Party of Afghanistan in the leading position of the future interim government.

The Soviet Union proposed that the withdrawal of the Soviet troops be linked to the effort to stop foreign intervention in Afghan affairs, saying that this is a consistent stand of the Soviet Union. In his statement,

Gorbachev reiterated this stand and required that "all countries should discharge their obligations and not intervene in the internal affairs of Afghanistan."

People have noticed that the same day the Soviet leader issued his statement, Kabul leader Najibullah also made a broadcast speech, in which he made a clearer exposition of this point. He said: The Soviet Union will not withdraw its forces from this country before agreements are reached at the talks between the Kabul regime and Pakistan and before the United States agrees to stop supporting the Afghan resistance forces. It is believed that this is a more definite signal given by the Soviet Union through the mouth of Najibullah, in an attempt to remind the United States to carry out the secret agreement that was reached by the leaders of the two countries during their Washington meeting last year. It is said that the main content of this secret agreement is: The Soviet Union should withdraw all its troops from Afghanistan as scheduled in the definite timetable, and the United States should cease its military aid to the resistance forces.

The time selected to announce the new Soviet troop withdrawal plan was based on the following considerations and needs of its internal and external affairs. Internationally, the time selected for this announcement was just before the Geneva indirect talks between Pakistan and Afghanistan and the Moscow meeting between the leaders of the United States and the Soviet Union. The purpose of the Soviet Union was, apart from expediting the signing of agreements at the indirect talks between Pakistan and Afghanistan, to urge the U.S. Congress to approve the intermediate-range missile treaty and to bring about an agreement between the United States and the Soviet Union on the question of reducing strategic weapons by 50 percent. At present, people are taking whether the Soviet Union withdraws its troops from Afghanistan as a touchstone when observing Gorbachev's new diplomatic ideas. To withdraw troops from Afghanistan as soon as possible may help the Soviet Union improve its image, so that it can carry out its new diplomatic ideas. Internally, all the Soviet people regard the Afghan question as a "bleeding wound" of their own country. The fact that the Soviet troops stationed in Afghanistan are suffering casualties every day has made millions upon millions of Soviet citizens constantly worry about the safety of the Soviet soldiers, and thus has become a negative factor obstructing the domestic reforms. To eliminate this negative factor, there is an increasing demand for withdrawing the Soviet troops from Afghanistan as soon as possible. Since Gorbachev issued the statement on the troop withdrawal, there has been a strong response among the Soviet people, particularly the Soviet soldiers in Afghanistan and their relatives. Therefore, withdrawing the troops from Afghanistan is necessary to win over and soothe the people. It is also conducive to concentrating strength on reform and economic development.

Although the timetable has been worked out, the troops might not be withdrawn smoothly and one cannot expect smooth sailing. People are now watching to see what the Soviet Union will do.



### **Commentary Urges Withdrawal**

HK241435 Beijing BAN YUE TAN in Chinese No. 5,  
10 Mar 88 pp 54-55

["Short commentary" by Tan Ji (6223 7162): "Actions Are More Important Than Promises"]

[Text] Gorbachev has announced a timetable for a Soviet troop withdrawal from Afghanistan. It seems that the Soviet Union really wants to get out. If this is true, it is really good and should be welcomed. However, there is a prerequisite for the withdrawal. This is the normal practice of all aggressors. The prerequisite is: Pakistan should "sign an agreement" with the Kabul regime before the withdrawal begins. However, Pakistani President Ziaul Haq has said in definitive terms that his country will not sign any peace agreements with the Kabul regime, because this regime is simply propped up by the Soviet Union by force. TASS got very angry at this, saying that what Ziaul Haq had said meant "again closing the door to a political settlement of the Afghan question."

Why does the Soviet Union want Pakistan to sign an agreement with the Kabul regime? Its purpose is none other than to establish the legality of the Kabul regime officially. At present, the establishment of an interim government in Afghanistan is a very important question. Although there are great differences between the various political forces in Afghanistan on this question, establishing an interim government acceptable to all sides is necessary to ensure peace and stability.

The Soviet troops have been in this small mountainous country for 8 years. Both the Afghan and Soviet peoples have suffered a great deal from this. It is now time for the Soviet Union to totally and quickly withdraw its troops from Afghanistan.

The Soviet Union has promised to withdraw all troops. But whether it keeps this promise or not depends on its actions. The people of the world are expecting the withdrawal and are watching the actions of the Soviet Union.

### **Southeast Asia & Pacific**

#### **Li Peng Cables Japan's Takeshita on Accident**

OW251134 Beijing XINHUA in English 1037 GMT  
25 Mar 88

[Text] Beijing, March 25 (XINHUA)—Chinese Acting Premier Li Peng sent a telegram to Japanese Prime Minister Noboru Takeshita today, expressing deep sympathy and solicitude for the Japanese families of those who died or were injured in a train accident near Shanghai Thursday.

Li's message said that he was deeply grieved by the sad news that some members of a Japanese student tourist group from Kochi City died or were injured in the accident.

"I hereby express my deep sympathy and solicitude for the families of the dead and the injured," Li said.

He said he had instructed Chinese departments concerned to do their best to rescue the injured and deal with the problems arising from the accident, including receiving the Japanese officials and victims' families who are coming to China.

"I will send an official to Shanghai specially for handling the case," Li said.

### **2 Japanese Killed, 60 Injured**

OW241255 Tokyo KYODO in English 1251 GMT  
24 Mar 88

[Text] Shanghai, March 24 KYODO—A Chinese express train carrying a party of 193 Japanese high school teachers and students collided head-on with another passenger train on the outskirts of Shanghai, killing at least two Japanese and injuring some 60 others, officials said.

Japanese Embassy officials in Beijing, quoting a report from the Gakugei High School in Kochi Prefecture, said 30 of the injured Japanese passengers were hospitalized in a local hospital.

### **Film on Japanese Nanjing Massacre Premieres**

OW241107 Beijing XINHUA in English 0820 GMT  
24 Mar 88

[Text] Wuhan, March 24 (XINHUA)—A film that recreates the bloody scene 50 years ago when Japanese soldiers massacred 300,000 Chinese in Nanjing in only six weeks has premiered in this capital city of Hubei Province.

Co-produced by the Fujian and Nanjing films studios, the film centers around Zhan Tao, a surgeon who takes photos exposing the atrocities of Japanese soldiers.

A group of veteran soldiers who escaped the massacre said the film was historically accurate and full of national sentiment.

"We will never forget the incident," said one, "and the Chinese people will never tolerate the revival of Japanese militarization or forget the tragedy, either."

### **DPRK Pyongan Delegation Visits Sichuan**

HK250317 Chengdu Sichuan Provincial Service  
in Mandarin 0100 GMT 25 Mar 88

[Text] At the invitation of Yang Rudai, member of the Political Bureau of the CPC Central Committee and Secretary of the Sichuan Provincial CPC Committee, a delegation from South Pyongan in Korea, headed by So Yun-sok, member of the Political Bureau of the Korean Workers Party [KWP] Central Committee and Responsible Secretary of South Pyongan KWP Committee, arrived in Chengdu last night for a friendly visit to Sichuan. Xie Shijie, member of the standing committee of the provincial party committee, and Zhang Huimin



and Chen Linzhang, responsible persons of the provincial foreign affairs office and association for friendly relations with foreign countries, met the Korean guests at the airport.

This visit is in return for Comrade Yang Rudai's visit to South Pyongan in 1987.

In the evening Sichuan Provincial CPC Committee Secretary Yang Rudai and Chengdu City CPC Committee Deputy Secretary Wang Rongxuan greeted the guests in the Jinjiang Hall.

When the Korean guests arrived in Beijing on their way to Sichuan, Xu Shiqun, member of the standing committee of the provincial party committee and director of the provincial foreign affairs office, travelled specially there to greet them.

### **Southeast Asia & Pacific**

#### **Progress in Singaporean Economic, Trade Ties** *HK250611 Hong Kong ZHONGGUO TONGXUN SHE* *in Chinese 0803 GMT 17 Mar 88*

[Text] 17 Mar, Hong Kong (ZHONGGUO TONGXUN SHE)—According to a dispatch from Singapore, Wang Jiuan, China's commercial representative in Singapore, disclosed that much was achieved last year in economic and trade ties between China and Singapore. He made these remarks recently to a reporter of the Singaporean paper LIEN HO ZAO PAO [UNITED MORNING NEWS]. In 1987 China sent 430 economic and trade delegations to Singapore on investigative tours. Meanwhile, China's representative office in Singapore issued 64,000 visas last year, 10,000 more than the 54,000 in the previous year. Although a small number of those visas were issued to people of European and other countries, most of them were issued to Singaporeans.

Wang Jiuan believes that the gradual development of the bilateral relations between China and Singapore is normal and is of mutual benefit. He said: On the present foundation, the prospects for trade and goodwill exchanges between China and Singapore are bright.

#### **7-Member Journalist Delegation Visits Burma** *OW232328 Beijing XINHUA in English 1715* *GMT 23 Mar 88*

[Text] Rangoon, March 23 (XINHUA)—A seven-member Chinese journalist delegation led by Liang Nianzhi, vice president of the Hunan Province Journalists Association, arrived here this afternoon to pay a two-week visit to Burma under the cultural exchange program between China and Burma.

During their stay in Burma, the Chinese journalists will call on Burmese Minister for Information and Culture U Aung Kyaw Myint. They will also meet people from the press, visit universities and other places.

A seven-member Burmese journalist delegation, led by U Saw Gordon Po, chief editor of the NEW LIGHT OF BURMA [MYANMA ALIN] (a Burmese newspaper), paid a visit to China in September last year.

#### **Red Cross Delegation Returns**

*OW231233 Beijing XINHUA in English 1156 GMT*  
*23 Mar 88*

[Text] Rangoon, March 23 (XINHUA)—A Chinese Red Cross Society delegation left here for home this afternoon after a two-week visit to Burma under the cultural exchange program between the two countries.

During its stay in Burma, the Chinese delegation headed by Cui Yueli, president of the Red Cross Society of China, studied activities of the Burma Red Cross Society and met officials of the society.

They also toured Mandalay, Sagaing, Pagan and Pegu to exchange experiences with Red Cross Society staff there on promoting health of the rural populace.

### **Sub-Saharan Africa**

#### **Congolese Party Delegation Visits Hebei** *SK250412 Shijiazhuang HEBEI RIBAO in Chinese* *12 Mar 88 p 1*

[Text] On the evening of 11 March, Lu Chuanzan, deputy secretary of the provincial party committee, met with the Labor Party delegation from Congo headed by (Michelle Gunguo), member of the party Central Committee, and responsible persons of the foreign relations department.

Lu Chuanzan introduced to the Congolese guests the situation in opening to the outside world, and economic development since the 3d Plenary Session of the 11th Party Central Committee. He said: The people of Hebei harbor deep and friendly feelings toward the people of Congo. China and Congo are Third World countries, and China is very willing to exchange experiences and cooperative with Third World countries in the process to develop its economic construction. The field of cooperation between China and Congo is broad.

(Michelle Gunguo), leader of the delegation, visited China twice in the 1970's. He said: During this visit to China, I am very pleased to see the tremendous changes that have taken place in China over the past 16 years. He believed that under the leadership of the CPC, China will certainly become a developed country very soon.

The six-member Congolese Labor Party delegation arrived in Shijiazhuang City on the afternoon of 11 March. During their stay in Shijiazhuang, the Congolese guests will visit some plants, joint ventures, and farm product trade markets in the city, and will also visit the Bethune international peace hospital.

## West Europe

### Italian Foreign Minister Arrives for Visit

HK241258 Hong Kong AFP in English 1236 GMT  
24 Mar 88

[Text] Beijing, March 24 (AFP)—Italian Foreign Minister Giulio Andreotti arrived here Thursday on a four-day visit aimed at boosting economic and technical ties with China, Italian sources said.

Mr Andreotti is expected to sign two agreements on economic and scientific cooperation during his visit, the sources added.

Italy is China's second largest trade partner after West Germany within the European Economic Community. Italian exports to China reached 1.24 billion dollars in 1987 and imports totalled 555 million dollars.

Mr Andreotti is scheduled to hold talks Friday with his Chinese counterpart Wu Xueqian, mainly on the Gulf war and the Middle East situation, the sources said.

Mr Andreotti will travel to Chungking in Sichuan Province Saturday to open a hospital equipped by Italy. He returns to Rome on Sunday.

### Meets Zheng Tuobin; Opens Ward

OW250007 Beijing XINHUA in English 1445 GMT  
24 Mar 88

[Text] Beijing, March 24 (XINHUA)—The Sino-Italian Friendship Emergency Ward, equipped with instruments donated by the Italian Government, opened here today in the General Hospital of the Chinese People's Liberation Army (PLA).

The equipment has a total value of about 4.6 million U.S. dollars.

Italian Foreign Minister Giulio Andreotti, Chinese Minister of Foreign Economic Relations and Trade Zheng Tuobin, and Deputy Director of the PLA General Logistics Department Liu Mingpu cut the ribbon at the opening ceremony.

At the ceremony, Liang Guozhang, director of the hospital, said in his speech that the equipment provided by the Italian Government is a symbol of the friendship between the Chinese and Italian peoples and a result of Sino-Italian cooperation.

Liang said that the equipment would help the hospital do a better job in medical treatment, scientific research, and education.

Zheng and Andreotti spoke highly of the successful cooperation between the two countries in the fields of [words indistinct] health, and expressed their hope for further strengthening of Sino-Italian cooperation and relations.

Andreotti and his party arrived here today as guests of Zheng Tuobin.

Andreotti will also inaugurate similar emergency wards in other hospitals in Beijing and Chongqing, which are also equipped with instruments donated by the Italian Government, and a telecommunications project. The project's equipment is partly loaned and partly presented by the Italian side.

The Italian foreign minister will also attend the opening ceremony of a Sino-Italian symposium on medical science.

### Feted by Zheng Tuobin

OW250203 Beijing XINHUA in English 1532 GMT  
24 Mar 88

[Text] Beijing, March 24 (XINHUA)—Zheng Tuobin, Chinese minister of foreign economic relations and trade, gave a banquet here this evening in honor of the visiting Italian Foreign Minister Giulio Andreotti and his party.

The guests arrived here earlier today to attend the inauguration ceremonies of the Italian-aided projects, the Beijing Emergency Center, the Sino-Italian Friendship Emergency Ward in the General Hospital of the People's Liberation Army (PLA), and the Chongqing Emergency Center.

### Shanghai Mayor Jiang Zemin Visits Sweden

OW241209 Beijing XINHUA Domestic Service  
in Chinese 1216 GMT 19 Mar 88

[Exclusively for Shanghai papers]

[Text] Stockholm, 19 Mar (XINHUA)—The Shanghai Municipal Friendship Delegation headed by Mayor Jiang Zemin ended its visit to Sweden and left Stockholm for the Netherlands this morning.

The delegation arrived in Goteborg City on 15 March at the invitation of Mayor Mannheim of Sweden's Goteborg City. During its stay in Goteborg, the delegation visited a number of enterprises and exchanged opinions with the city administration on the planning of city transportation, the disposal of solid garbage and other subjects of mutual concern. Both sides expressed hope to further strengthen cooperation and exchanges in the economic, scientific, technological, cultural and other fields between the two friendly cities.

On 18 March, the Shanghai Municipal Friendship Delegation arrived in Stockholm, the capital of Sweden. At a discussion meeting sponsored by the Swedish-Chinese Trade Committee, the delegation introduced Shanghai's economic development and investment environment to Swedish business circles and answered their questions.

On the afternoon of the same day, Swedish Minister of Industry Thage Peterson met with Mayor Jiang Zemin and held friendly talks with him.

### **FRG Publisher To Publish Deng's Works**

*OW240532 Beijing XINHUA in English 2035 GMT  
23 Mar 88*

[Text] Bonn, March 22 (XINHUA)—“The Selected Works of Deng Xiaoping”, which includes Deng's articles and speeches on China's reforms, will be published by the West Berlin Siedler Verlag Publishing House.

Former Federal German Chancellor Helmut Schmidt has written an introduction for the book by the senior Chinese leader.

The book will be compiled into the “Corso” collected works, which include the works of Federal German President Richard von Weizsacker, and former Chancellors Willy Brandt and Schmidt.

### **Cultural Cooperation With Turkey Increased**

*OW250252 Beijing XINHUA in English 0122 GMT  
25 Mar 88*

[Text] Istanbul, March 24 (XINHUA)—A China-Turkey cultural exchange program for 1988-91 will be signed in Beijing next April to expand cultural cooperation between the two countries.

This was stated by head of Chinese cultural delegation Wang Meng today before leaving here for home after a six-day visit to Turkey.

In an interview with XINHUA, he noted that both Turkey and China have common desire to push their current cultural cooperation to a new stage. The exchange of visits between personages in the fields of culture, art and science should be strengthened, he said.

He said that his visit to Turkey was aimed at strengthening the traditional friendship and understanding between the two peoples. China can study a lot from Turkish experience in protecting, developing its own national culture, he added.

The Chinese delegation arrived here on March 13. During its stay in Turkey, the delegation was received by speaker of the Turkish Grand Assembly Yildirim Akbulut and held talks with Turkish Minister of Culture and Tourism Tinaz Titiz. It also visited the cities of Ankara, Istanbul and Izmir.

### **UNESCO To Honor Confucius' Birthday**

*OW230227 Beijing XINHUA in English 1525 GMT  
22 Mar 88*

[Text] Paris, March 23 (XINHUA)—UNESCO and China will jointly organize a commemoration of the 2540th anniversary of Confucius' birthday in September of this year.

The announcement was made after the vice president of China's Confucius Foundation, Gong Dafei, met here with UNESCO Assistant Director General M. Labastida.

About 150 to 200 foreign sinologists are expected to come to Jinan, the capital of Confucius' home province of Shandong, to attend a large commemorative assembly with Chinese scholars. After the meeting, they will travel to Qufu, the birthplace of Confucius, for a seminar entitled “Confucius' historical role and the contemporary significance of his philosophy”.

Also in the second half of this year, UNESCO will hold a roundtable discussion in Europe on Confucian philosophy and publish the speeches of the participants in a special edition book.

In Bonn, the Konrad Adenauer Foundation of Federal Germany will also sponsor a seminar on Confucius in collaboration with China.

### **East Europe**

#### **Qiao Shi Meets Czechoslovak Legal Delegation**

*OW241403 Beijing XINHUA in English 1347 GMT  
24 Mar 88*

[Text] Beijing, March 24 (XINHUA)—Qiao Shi, Standing Committee member of the Political Bureau of the Central Committee of the Chinese Communist Party, met here today with a delegation from Czechoslovakia's General Procuratorate led by Chief Procurator Dr. Jan Fejes.

During the meeting, Jan Fejes said that the visit of his delegation to China will contribute to the promotion of the bilateral friendship and cooperation.

Qiao Shi said that though China and Czechoslovakia have their own characteristics, the two countries share a lot in common, adding that they can learn from each other's experiences in legal work.

#### **Bilak Arrives in Canton from Beijing**

*LD240955 Prague Domestic Service in Czech  
1600 GMT 24 Mar 88*

[Text] Vasil Bilak, presidium member and secretary of the CPCZ [Czechoslovak Communist Party] Central Committee, who is on a friendly working visit to China, arrived by air from Beijing to Canton today. This southern gate to China is today in the forefront of the modernization of the Chinese economy and of pushing through reforms.

Vasil Bilak saw the most up to date sport center in the country, (Tchin-Tche). He visited the memorial of the Guangzhou Institute of the Agricultural Movement.

A gala dinner was given in his honor.

**Seventh NPC Convenes First Session 25 March**  
*OW251035 Beijing XINHUA in English 0925 GMT*  
25 Mar 88

[Text] Beijing, March 25 (XINHUA) — The Seventh National People's Congress (NPC), China's supreme legislative body, opened its first session in the Great Hall of the People here this afternoon.

The seventeen executive chairmen of the Presidium of this NPC session presided over today's opening ceremony.

When Chinese leaders Zhao Ziyang, Deng Xiaoping, Li Peng, Qiao Shi and Hu Qili, who are also members of the Presidium, Li Xiannian, China's president, Peng Zhen, chairman of the Sixth NPC Standing Committee, and Yao Yilin, Standing Committee member of the Political Bureau of the Chinese Communist Party Central Committee, took their seats on the rostrum, they were greeted by warm applause.

At 3 pm, the session was declared open by Wan Li, executive chairman of the session, and the military band rolled out the national anthem.

The meeting first adopted the methods for passing motions and approving the choice of members of various special NPC committees to be used at the current session.

The methods adopted provide that motions are passed and the choice of members of the special committees is decided upon if they are approved by over half of the deputies by a show of hands; the motion for revising the Constitution is passed with over two thirds of the votes in favor by secret ballot.

The meeting also adopted a resolution confirming the decision made by the 23rd meeting of the Sixth NPC Standing Committee to accept Zhao Ziyang's resignation as premier of the State Council on November 24, 1987.

Then, Acting Premier Li Peng delivered a report on the work of the government to the session on behalf of China's State Council.

In his 30,000-word report, Li Peng summed up China's achievements and problems in construction and reforms in the past five years. He also set forth the objectives, policies and tasks for the coming five years and expounded China's views on the world situation and its foreign policy.

In the next five years, Li emphasized, China must carry out the guideline set forth by the 13th National Congress of the Chinese Communist Party last year, and promote the development of productive forces by accelerating and deepening the reforms. "Practice has shown that our foreign policy is correct, and we shall pursue it unswervingly," the acting premier said.

Attending today's opening ceremony were 2892 of the 2,970 deputies to the congress, among whom 2,107, or 71 percent of them, were newly elected.

Other members of the presidium on the rostrum include Li Ruihuan, Yang Shangkun, Hu Yaobang, Qin Jiwei, Bo Yibo, Song Renqiong, Wang Zhen, Fei Xiaotong, Lei Jieqiong and Liu Huaqing.

Present at today's opening meeting as observers were members of the Sixth NPC Standing Committee, leaders of relevant departments and China's democratic parties who are not deputies to the Seventh NPC, leaders of central departments of the Chinese Communist Party, the government, the Chinese People's Liberation Army and mass organizations as well as members of the Seventh National Committee of the Chinese People's Political Consultative Conference attending the committee's first session.

Diplomatic envoys from various countries in Beijing observed the meeting.

Over 200 journalists from Hong Kong, Macao and foreign countries as well as two from Taiwan were present covering the meeting.

### TV Coverage of Opening

OW251021 [Editorial report] Beijing Television Service in Mandarin at 0655 GMT on 25 March carries 166 minutes of live coverage of the opening of the First Session of the Seventh NPC.

At 0656 GMT, live coverage begins with a close-up shot of the national emblem on the rostrum. Video then cuts to long shots of the hall with all the deputies seated. At 0657 GMT, the announcer says: "Executive chairmen of today's meeting are Wan Li, Xi Zhongxun, Song Ping, Ulanhu, Peng Chong, Wei Guoqing, Zhu Xuefan, Ngapoi Ngawang Jigme, Banqen Erdini Qoigy Gyanca, Seypidin Aizezi, Zhou Gucheng, Yan Jici, Rong Yiren, Ye Fei, Liao Hansheng, Chen Muhua, and Wang Hanbin. Comrades Zhao Ziyang, Deng Xiaoping, Li Xiannian, Li Peng, Peng Zhen, Qiao Shi, Hu Qili and Yao Yilin are seated on the rostrum. Executive Chairman Wan Li presides over the opening ceremony of the meeting." As he makes the announcement, video shows Deng Xiaoping, Li Xiannian, Yang Shangkun, Zhao Ziyang, Li Peng, Peng Zhen, Qin Jiwei, Wan Li, Xin Zhongxun, walking toward their seats on the rostrum while clapping hands. Video then cuts to long shots of the rostrum, followed by a close-up of Wan Li.

At 0701 GMT, Wan Li, standing, announces that 2,892 deputies are attending today's meeting, and then declares the meeting open. He asks everyone to rise, and the national anthem is played.

At 0703 GMT, Wan Li announces the reading of draft measures for the endorsement of proposals for the First Session of the Seventh NPC and for selecting candidates



for constituents of special committees of the Seventh NPC. The draft measures are read by an unidentified voice, followed by a show of hands by the participants, indicating no objections or abstentions. Wan Li then announces the endorsement of the measures.

At 0706 GMT, the same process is repeated for a draft decision of the 1st Session of the 7th NPC for confirming a decision of the 23d session of the 6th NPC Standing Committee endorsing Zhao Ziyang's request to resign from the post of premier of the State Council. The draft decision is adopted without any objections or abstentions.

At 0709 GMT, Li Peng is seen walking from the right of the rostrum toward the lectern where, standing, he begins to deliver the Government Work Report.

During Li Peng's speech video cuts to pan shots of the hall, showing leaders seated in several rows behind a front table on the rostrum. Those seated in the front row are, from right to left of the TV screen, Chen Muhua, Ye Fei, Yan Jici, Seypidin Aizezi, Ngapoi Ngawang Jigme, Wei Guoqing, Ulanhu, Xi Zhongxun, Wan Li, Song Ping, Peng Chong, Zhu Xuefan, Banqen Erdini Qoigyi Gyancan, Zhou Gucheng, Rong Yiren, Liao Hansheng, and Wang Hanbin, in that order. Seated in the next row are, from right to left, Wang Zhen, Song Renqiong, Bo Yibo, Qin Jiwei, Hu Yaobang, Li Ruihuan, Hu Qili, Qiao Shi, Deng Xiaoping, Zhao Ziyang, Li Xiannian, Peng Zhen, Yao Yilin, Tian Jiyun, Li Tieying, Li Ximing, Wu Xueqian, Ding Guangen, Rui Xingwen, Yan Mingfu and Wen Jiabao. Gu Mu, Fang Yi, and Ji Pengfei are seen seated on the third row, in that order from right to left.

At 0941 GMT, Li Peng ends reading the Government Work Report, immediately after which Wan Li is seen declaring the meeting closed for 25 March.

Live coverage ends with a close-up shot of a Red Star on the ceiling of the hall.

#### **Editorial Hails Opening**

*HK250514 Beijing RENMIN RIBAO OVERSEAS  
EDITION in Chinese 25 Mar 88 p 1*

[Editorial: "The Hope of 1 Billion People—Hailing the Opening of the First Session of the Seventh NPC"]

[Text] The First Session of the Seventh NPC is to solemnly open in Beijing today. Entrusted with an important mission by the Chinese people of all nationalities, more than 2,900 NPC deputies will gather together to discuss and decide on important national affairs. It is bound to be another important meeting in the history of the NPC. We would like to extend our warm congratulations to the session!

The opening of the First Session of the Seventh NPC is yet another major event in the Chinese people's political life after the 13th CPC National Congress. The 13th

party congress, held 4 months ago, presented a systematic exposition of the theory on the initial stage of socialism, laid down a basic line to be followed by the party in this initial stage, and worked out a magnificent blueprint for the reform and opening up process. The congress was successful indeed, greatly inspiring the whole party and the people of all nationalities throughout the country. The First Session of the Seventh NPC will accomplish all the set tasks along the track laid down by the 13th CPC National Congress. Placing great hopes on this current NPC session as on the previous sessions alike, the people of all nationalities throughout the country are looking forward to the full success of this session.

First of all, the people hope this session will further expedite the cause of reform and opening up. The 5 years from the First Session of the Sixth NPC to the First Session of the Seventh NPC witnessed successive victories won by the Chinese people under the guidance of the line formulated by the 3d Plenary Session of the 11th CPC Central Committee and the flourish of the great socialist cause with Chinese characteristics. The reform and opening up have tremendously emancipated the social productive forces, and the situation has been developing surprisingly fast. This has also presented a series of new problems, however. Many outmoded rules and regulations must be revised, while many new laws badly need to be formulated. A lagging reform in the realm of the superstructure, together with the slow development of democracy and the legal system, will certainly be a drag on the whole modernization program. A series of bills and motions are to be submitted to the current NPC session for discussion and approval. Among these are the draft of the revised Constitution, the draft of the law governing industrial enterprises under the ownership of the whole people, the draft of the law governing Chinese-foreign cooperation enterprises, the bill on institutional reform of the State Council, and the motion on the establishment of the Hainan Province and special economic zone. All these bills and motions reflect the pressing needs arising from the rapidly developing situation and are extremely closely related to the reform of the economic structure, the reform of the political structure, and the opening up process. A serious discussion on and the adoption of these bills and motions are bound to open broader vistas for the reform and opening up.

In the second place, the people hope that the current session will make new contributions to furthering the development of socialist democratic politics. Without socialist democratic politics, there will be no socialist modernization. The kernel of socialist democratic politics is that the people will be the master of the state, will fully enjoy all civil rights, and will be able to exercise their power in governing the state, enterprises, and service facilities. The organs through which the people exercise state power are the NPC and local people's congresses at all levels. In order to develop socialist democratic politics, we must first bring the role of the

people's congress into full play, and the people's congress, on its part, should also take the defense and development of socialist democracy as its most sacred duty. In the past 10 years, the NPC and its Standing Committee have done a great deal of fruitful work in promoting socialist democracy, putting the socialist legal system on a sound basis, and incorporating democracy in laws and various systems. People hope that the contributions of the current NPC session will be reflected not only in the important drafts and bills that are going to be discussed and adopted during the session, but also in the whole course of the session, through the display of the democratic spirit, the enhancement of openness, and the implementation of the principle put forth by the 13th CPC National Congress demanding that all important issues be openly discussed among the masses and all important events be revealed to the public. Like the 13th party congress, this NPC session, if successful, will set a good example for the future sessions of local people's congresses at all levels. And that will be in the interests of the development of socialist democracy in our country.

Third, the Chinese people of all nationalities also hope that the current NPC session will elect a group of new government leaders who really enjoy their support. The election and appointment of new leaders of state organs is an extremely important item of the agenda of the first session of the new NPC and the most noteworthy current event for the people throughout the country. In fact, the personnel arrangements to be decided on by the Seventh NPC will be an important part of the general personnel arrangement plan drawn up by the 13th CPC National Congress. The CPC central authorities already held a democratic consultative meeting on the eve of the current NPC session to widely solicit opinions on the personnel arrangements concerning the Seventh NPC and the Seventh CPPCC National Committee. The 2d Plenary Session of the 13th CPC Central Committee also approved the namelists of leading members, which are to be recommended to the presidiums of the NPC and the CPPCC National Committee, thus making full preparations for the elections to be held during the forthcoming session. We believe that our NPC deputies, entrusted by all our people, will give full play to the democratic spirit during the current session. Through repeated discussions and consultations and the exercise of their sacred democratic power of election and appointment of leading people of state organs, they will surely be able to properly accomplish this task, which concerns the overall situation. In brief, this is an important organizational measure to guarantee the continuous success of the reform, the opening up process, and the socialist modernization program.

The people's congress system, the multi-partisan cooperation and political consultative system under the CPC's leadership, and the principle of democratic centralism characterized by the practice of centralism on the basis of democracy and of democracy under centralized guidance are all the special features and advantages of the political system of China. The success of the First

Session of the Seventh NPC will certainly do credit to these special features and advantages of our system. We wish the NPC session complete success!

**Reportage on Li Peng Report to Seventh NPC**  
*OW250743 Beijing XINHUA in English 0724 GMT*  
25 Mar 88

[Text] Beijing, March 25 (XINHUA)—Acting Premier Li Peng today proposed to China's parliament that China's gross national product be increased at an average annual rate of 7.5 percent in the next five years, thus laying the groundwork for achieving a relatively comfortable standard of living by the end of this century.

China's gross national output reached 1,092 billion yuan in 1987, and by 1992 it is to reach 1,550 billion yuan.

The acting premier pledged to attain the objective set in the Seventh Five-Year (1986-1990) Plan of an average yearly increase of four percent in the median real per capita consumption level of both urban and rural populations.

Li made these remarks in his report on government work to the First Session of the Seventh National People's Congress, which opened here today.

His 67-page, 30,000-word report summed up China's achievements and problems in construction and reforms in the past five years. It also set forth the objectives, policies and tasks for the coming five years and expounded China's views on the world situation and its foreign policy.

Li emphasized that in the next five years, China must carry out the guideline set by the 13th National Congress of the Chinese Communist Party last year, and promote the development of productive forces by accelerating and deepening the reform.

He reiterated that all of China's work in foreign relations is designed to serve the two major objectives of peace and development. China has been active in the international arena as a major force for opposing hegemonism, maintaining world peace and promoting common development.

"Practice has shown that our foreign policy is correct, and we shall pursue it unswervingly," he added.

Reviewing domestic work in the past five years, Li said that as a result of the reform and the open policy, the economy has been developing steadily and the overall situation has been satisfactory.

He noted that a comprehensive reform of the economic structure was carried out in both town and country, with the result that significant progress was achieved.

At the same time, he said, reform developed and played an increasing important role in the fields of science and technology, education, culture and politics.

He said that in the past five years, China constantly opened the country wider to the outside world and actively developed economic and technological exchange and cooperation with foreign countries, putting an end to its closed or semi-closed status.

The practice of reform and economic development did much to renew people's thinking and promote the building of socialist culture and ideology, he added.

On the experience gained in the past five years, Li said "we should firmly establish the guiding principle that construction must rely on reform and reform must promote construction, and we should continue to put reform at the center of all our undertakings."

"In both construction and reform we must continue to proceed from actual conditions, emancipating our minds and respect practice," he said.

In both construction and reform, he said, China must focus on improving economic results, constantly promote scientific and technological progress and strengthen modern management.

"To ensure the smooth progress of construction and reform, we must correctly handle the relations between their objectives and the steps to be taken to achieve those objectives," he said, adding that it is necessary to properly balance the interests of various sectors and fully mobilize the enthusiasm of the cadres and the masses.

He pointed out that so long as China implements the contracted managerial responsibility system for enterprises in an all-round way, so long as the state correctly uses such means as investment, credit and consumption funds for control and regulation, and so long as the country links stabilizing the economy with deepening the reform, it is possible to gradually combine rapid growth with good economic returns and micro-flexibility with macro-control, thus facilitating stable and long-term economic growth.

Li said that the excessive rise in commodity prices has to some extent retarded the improvement of the people's living standard and has even lowered the living standard of some urban residents.

Speaking of difficulties, problems and shortcomings in work, he said that in the economic sphere there is still a tendency to be too impatient for quick results in disregard of economic returns, although the factors of instability have been reduced to a certain extent, they have not been eliminated.

He also mentioned that such reprehensible practices as tax evasion, bribery, extortion, forgery and illegal imitation of brand-name products have appeared here and there. Some cadres have abused power for personal gain and have been guilty of embezzlement and corruption, certain government organs are extremely bureaucratic.

"These problems must be earnestly addressed," he said.

In the next five years, Li said, the State Council will strive to accomplish the following ten major tasks:

— Step up agricultural production. China must strive to produce 500 million tons of grain by the end of this century, which will mean an average annual increase of 8 million tons. At the same time, China must try to strengthen basic industries and infrastructure so as to maintain steady economic growth.

— Accelerate the development and reform of science, technology and education, so as to push forward economic development through advances in science and technology and improved quality of the work force.

— Carry out comprehensive supporting reforms to deepen the reform of enterprises and gradually establish the dominant role of the new economic structure in the national economy. the supporting reforms involve the planning system, investment system, financial structure, monetary system, price system, management of commerce, wage system, housing system in urban areas, and the system of social security.

— Lose no time in implementing a strategy of economic development for the coastal regions and open wider to the outside world. China should take an active part in world economic exchange and competition. It will establish comprehensive experimental zones in Guangdong and Fujian Provinces and on Hainan Island for reform and opening-up. The State Council recommends that Hainan Island be made into a province and that it become the country's largest special economic zone, adopting policies that will give local people and foreign investors even more preferential treatment than those pursued in other special economic zones.

— Carry out a genuine reform of the structure of government organizations, work hard to overcome bureaucratism, raise efficiency and tighten law and discipline.

— Further strengthen socialist democracy and the socialist legal system, and consolidate and develop political stability and unity.

— Create an advanced socialist culture and ideology so as to further the smooth progress of reform and the opening to the outside world and to ensure the success of China's drive for modernization. China must carry out the policy of "letting a hundred flowers bloom, a hundred schools of thought contend", implement a stable policy with regard to cultural affairs and help all cultural undertakings to grow and flourish.

— Implement the two basic state policies of family planning and environmental protection.

— On the basis of increased production, raise the incomes of urban and rural people and improve their material and cultural life.



— Further strengthen the building of national defense as China's economy develops.

On relations with foreign countries, Li Peng said that in the past five years, China has scored important achievements in foreign relations and a new situation has emerged. This is thanks to its resolute implementation of an independent foreign policy of peace and to its continued correct adjustment of some specific policies. At present, China maintains diplomatic relations with 135 countries and economic and trade relations with 178 countries and regions.

He said that the current international situation presents both encouraging trends and disturbing features. Taken as a whole, it is developing in a direction favorable to the world people. China hopes that the United States and the Soviet Union will implement in earnest the intermediate-range nuclear forces treaty for the destruction of medium- and shorter-range missiles they have signed.

Li Peng reiterated that China has consistently stood for the settlement of international disputes through peaceful negotiations.

He emphasized that the key to a fair and reasonable political solution of the Kampuchea problem is the complete withdrawal of Vietnamese troops at the earliest possible date, which will permit the various parties in Kampuchea to solve their internal problems through consultation.

He expressed the hope that the withdrawal of Soviet troops from Afghanistan announced by the Soviet Union will indeed happen, a coalition government formed by various parties concerned will be established in Afghanistan as early as possible, and millions of Afghan refugees will be able to return safely to their homeland to enjoy a peaceful life once again.

With a view to the increasingly turbulent world economic situation, Li Peng called on the developed and developing countries to work together to overcome the difficulties in accordance with the principle of mutual benefit.

The acting premier also spoke about China's relations with the United States, the Soviet Union, Japan, its neighboring countries, East and West Europe and other Third World countries.

He reiterated that the general and specific policies of the Chinese Government relating to Hong Kong and Macao shall not change.

Li also expressed the wish for reunifying China in accordance with the principle of "one country, two systems".

He welcomed more and more Taiwan compatriots to come to the mainland to visit their relatives or for sightseeing and more and more businessmen and entrepreneurs in Taiwan to do business, make investments or set up factories in the special economic zones or other regions of the mainland.

He expressed the desire to consult with the Taiwan authorities and with prominent individuals in all walks of life on the reunification of the country.

Li Peng urged the Taiwan authorities to put the interests of the whole nation above everything else and take measures to establish links with the mainland in trade, in mail service and in air and shipping services and to bring about peaceful reunification.

#### Growing Economic Strength

OW250825 Beijing XINHUA in English 0753 GMT  
25 Mar 88

[Text] Beijing, March 25 (XINHUA)—Acting Chinese Premier Li Peng said here today that during the 1983-1987 period, China's national economic strength continued to grow considerably and the economy developed quite rapidly with little fluctuation.

Li was delivering a Report on the Work of the Government to the First Plenary Session of the Seventh National People's Congress, which opened here today.

He said that in the past five years, the average annual economic growth rate was 11.1 percent, and in 1987 the gross national output reached 1.092 billion yuan.

During the five-year period, he said, national income grew at an average annual rate of 10.7 percent and in 1987 it reached 915.3 billion yuan. Domestic revenue grew at an average annual rate of 12.9 percent, and in 1987 it came to 224.36 billion yuan.

He said that substantial growth was registered in the output of such major products as grain, cotton, steel, coal, electricity, oil, chemical fertilizer, cement, chemical fibres, cotton yarn and cotton cloth, as well as in transport and communications.

He continued that fixed assets of state-owned enterprises were increased by 585.4 billion yuan in the five years, providing the material and technological basis for further development of the country's economy.

He said that the improvement of macro-economic efficiency created conditions that will help gradually bring the economy into a "virtuous circle".

He noted that a better balance was achieved between major sectors of the economy. Overall labor productivity in industrial enterprises increased by an average of 6.5 percent a year. The ratio of output value to fixed assets, the turnover rate of circulating funds and the rate of fixed assets available for use all grew.



He said that the variety of designs and specifications of industrial products was increased and the quality of major products improved. Material consumption in industrial production was reduced and the energy saved during the five years was equivalent to 160 million tons of standard coal.

He maintained that the people's living standards in both town and country were further raised. The per capita net income of peasants increased from 270 yuan in 1982 to 463 yuan in 1987, with an average annual growth of 8.6 percent after adjustment for price rises.

The income that urban residents spent on living expenses increased from 494.5 yuan per capita in 1982 to 916 yuan in 1987, with an average annual growth of 6.3 percent after adjustment for price rises, he added.

He said that housing totalling 850 million square meters of floor space was built by state-owned units in cities and towns for their workers and office staff, while 3.9 billion square meters were built in the countryside. The housing situation for both urban and rural residents was thus improved.

Turning to employment, Li said that job opportunities were provided for more than 37 million people in cities and towns throughout the country, largely solving the long-standing problems of employment for young people there.

#### **Gains in Production, Reform**

OW250837 Beijing XINHUA in English 0802 GMT  
25 Mar 88

[Text] Beijing, March 25 (XINHUA)—Acting Chinese Premier Li Peng said today that significant progress achieved and a wealth of experience accumulated in the comprehensive reform of the economic structure carried out in China's town and country in the past five years.

In his Report on Government Work delivered to the first session of the Seventh National People's Congress here this morning, Li said that China's rural reform which started in 1978 has continued to deepen in the past five years.

While improvements were made in the system of contracted household responsibility with remuneration related to output, Li said, village and township enterprises, socialized service trades and part-time businesses of various kinds all developed considerably.

According to figures recently released by the State Statistics Bureau, the output value of village-run industrial enterprises, construction and transport units, and commercial establishments in 1987 accounted for 50.8 percent of the gross rural social output, exceeding the proportion of the gross output of agriculture for the first time.

He said that reform in urban areas focused on revitalizing enterprises. Diversified forms of the managerial responsibility system, including contracting and leasing, were introduced, and the share system was implemented on a trial basis with a view to giving enterprises relative independence in producing and marketing commodities. In enterprises, a system was put into effect under which the factory director assumes full charge and is held responsible for attaining given objectives during his or her tenure, and labor and distribution systems were reformed.

It is reported that 68 percent of China's state-owned enterprises have adopted the director responsibility system while 82 percent of its large and medium-sized enterprises have begun to practise diversified contract managerial responsibility systems.

While invigorating the consumer goods market, Li said, China also developed step by step the market for means of production, opening up money, technology, labor and real estate markets, conducted a useful study of and experiment in reform of the price system and strengthened the lateral economic ties between enterprises, localities and departments.

He said that reform of the system of macro-economic control was vigorously carried out. In the systems of planning, investment, material supply, finance, taxation, banking and foreign trade China carried out varying degrees of reform, beginning to shift the emphasis from direct to indirect regulation and control.

So far as the system of ownership is concerned, he said, while strengthening the economy the entire people as well as the collective and co-operative economies in town and country, China also encouraged the development of individual and private economies, as well as of joint ventures, co-operative ventures and wholly foreign-owned enterprises.

#### **Reform in Science**

OW250841 Beijing XINHUA in English 0810 GMT  
25 Mar 88

[Text] Beijing, March 25 (XINHUA)—Acting Chinese Premier Li Peng said here today that China's economic restructuring has promoted reform in the fields of science and technology, education, culture and politics in the past five years.

Li made this remark in his Report on the Work of the Government delivered to the First Plenary Session of the Seventh National People's Congress here today.

He said that the introduction of competition into science and technology has helped mobilize the enthusiasm of vast numbers of workers in that field and promoted its development.

A patent system was instituted, he said. In the past five years, more than 50,000 major research projects yielded successful results, some of which were up to the highest standards in the world.

He noted that with the implementation of the law on compulsory education, the conditions in middle and primary schools and the quality of teachers improved. Vocational and technical education expanded quite rapidly. China has also gradually reformed higher education, giving an impetus to teaching and scientific research.

He continued that literature and art, the press and publishing, broadcasting, the cinema, television and other aspects of culture flourished, and the reform brought a host of new achievements in these fields, as also in public health and sports.

He said, gradual progress was made in the building of socialist democracy and the socialist legal system. Over the past five years, 30 laws were submitted by the state council to the standing committee of the national people's congress for examination and approval, and 255 administrative statutes were formulated and promulgated by the state council.

He stated that bodies of law in all fields were improved. Thanks to the propagation of knowledge of the law the people have gradually increased their awareness of the legal system and their understanding of the obligations of citizens.

He said that major achievements were scored in the reform of the Army. The task of reducing the size of the Army by one million was accomplished. The professional quality of officers and men was raised, and major improvements were made in equipment for defence.

At the same time, he said, the People's Liberation Army made great contributions to society by defending and supporting socialist construction.

#### **Foreign Economic Relations**

*OW250845 Beijing XINHUA in English 0817 GMT  
25 Mar 88*

[Text] Beijing, March 25 (XINHUA)—China has since 1983 opened itself wider to the outside world, and expanded economic and technological exchanges and cooperation with other countries, putting an end to its closed or semi-closed state.

Acting Premier Li Peng made this remark in his Government Work Report to the First Session of the Seventh National People's Congress that opened here today.

Over the past five years, he said, China has scored notable success in the development of open areas and special economic zones, greatly expanding an export-oriented economy and constantly increasing its capacity to earn foreign exchange. It is reported that over the past

few years, China's four special economic zones — Shenzhen, Zhuhai and Shantou in Guangdong Province and Xiamen in neighboring Fujian Province — have signed 3,500 investment contracts with firms from scores of countries and regions.

Reports say that the zones have utilized foreign funds totalling 1.86 billion U.S. dollars now, 1,300 foreign-funded enterprises are operational there.

Reports also say that the four zones manufactured a total of 11.2 billion yuan worth of goods last year; nine times the figure for 1980, when they were set up. They exported goods valued at 2.74 billion U.S. dollars in 1987 to 30 countries and regions.

Li Peng told the NPC session that major progress was made in foreign trade. During the five-year period, China's total volume of import and export grew at an annual rate of 14.7 percent, and in 1987 it reached 82.7 billion U.S. dollars. The proportion of industrial products exported grew steadily.

In the last five years, more than 10,000 items of advanced technology and equipment worth more than 10 billion U.S. dollars were imported to transform existing enterprises.

He said: "Meanwhile, China's technology started to enter the international market, which means that we are no longer restricted to importing technology."

During the same period, China contracted 15.38 billion U.S. dollars of foreign loans in various forms and absorbed 8.78 Billion U.S. dollars of direct investment by foreign business people.

In the more than 10,000 Sino-foreign joint ventures, cooperative ventures and wholly foreign-owned enterprises and projects throughout the country, there is now a higher proportion that are productive, export-oriented and technologically advanced, he told the session.

Over the past five years, China contracted engineering projects and cooperation in labor services in 100 countries and regions, earning nearly four billion U.S. dollars.

#### **'Excessive' Commodity Prices**

*OW250859 Beijing XINHUA in English 0825 GMT  
25 Mar 88*

[Text] Beijing, March 25 (XINHUA)—An outstanding problem in China's economic and social life today is the excessive rise in commodity prices, Acting Premier Li Peng said here today.

This has to some extent retarded the improvement of the people's living standard and has even lowered the living standard of some urban residents, he said in his Government Work Report to the First Session of the Seventh National People's Congress that opened here today.

"The excessive rise in prices in the past few years, last year in particular, was connected with certain abnormal factors," he noted.

The factors include the excessive issue of currency, the unduly large scale of capital construction, the inordinate growth of consumption funds, and the outstripping of total supply by total demand.

They also include the fact that a certain number of state-owned industrial and commercial enterprises made use of their monopoly position to raise prices without authorization, sometimes in disguised form, and that because the control over market prices was not strict, speculators and profiteers took advantage of the situation to disrupt the market.

He noted that under conditions of rapid growth of the commodity economy in the rural area, "we failed to apply the law of value properly and in time to guide agricultural production."

Accordingly, production of grain, pigs and other agricultural and sideline products fluctuated with the result that certain goods were in short supply and prices rose sharply.

After repeated deliberations, he said, the State Council has recently decided to adopt the following comprehensive, coordinated measures concerning price:

— to continue to reform irrational pricing system step by step according to plan, gradually readjust the prices of agricultural and sideline products and straighten out the price parities among these products and between them and industrial products, so as to promote production;

— starting by increasing supply and restricting demand, to control the extent of price rises and keep the overall price level relatively stable, preventing the rises from going beyond the endurance of various sectors;

— the various localities will give appropriate subsidies to workers and office staff for the rationed part of principal foodstuffs, in accordance with local price rises;

— to work hard to expand the market for means of production and to fix price ceilings for the major items in that category; and

— to strengthen control over commodity prices, tighten industrial and commercial administration and improve the system of supervision by the masses; act to account and punish according to law any individual or organization that engages in speculation and profiteering or violates the price control regulation.

Nevertheless, Li Peng said, the prices of agricultural and sideline products and of primary industrial products have been relatively low for a long time and the pricing system has been highly irrational.

"In the transformation of the product economy into a commodity economy, it is necessary to reform the pricing system and to raise the prices of these products appropriately," he told the session.

"Therefore, a certain rise in prices as a whole is inevitable in the course of reform and is indispensable for promoting the growth of a commodity economy," he pointed out.

### Technology, Education

OW250901 Beijing XINHUA in English 0836 GMT  
25 Mar 88

[Text] Beijing, March 25 (XINHUA)—First priority must be given to the expansion of undertakings in science, technology and education, Acting Premier Li Peng told the First Session of the Seventh National People's Congress here today.

He said that science and technology is the key to the realization of four modernizations, and education is the foundation. "In China, the development of the productive forces, the improvement of economic results and indeed the progress of the whole society depend on the development of science, technology and education," he stressed.

China must intensify reform of the management system for science and technology, encourage more scientists and technicians to gear their professional activity to economic development, and more quickly turn research results into productive forces, he said.

Also, the country must promote associations between scientific research institutes and enterprises, encourage more scientists and technicians to work in the forefront of industrial and agricultural production and especially to contract to provide technical services in towns, rural areas, remote areas and poverty-stricken areas, he said.

He called for concentration of necessary financial, material and human resources on key scientific and technological projects and on pilot projects in sectors having strategic priority in economic development, such as agriculture, energy, transport, posts and telecommunications, raw and semi-finished materials, machinery and electronics.

The acting premier also called for transformation of enterprises, particularly large and medium-sized ones, with advanced production processes, technology and equipment.

China must continue to strengthen both basic and applied research and accelerate the development of new and high technology so as to prepare conditions for further advance of the economy, he said.



Education should constitute an important part of the overall plan for economic and social development, Li Peng noted. As the economy grows, the state and localities should increase funds for education and encourage people in all walks of life to raise or donate money for schools so as to speed up the development of education.

China will continue to send students abroad for further study for a long time to come because it is required by the modernizations drive and also a concrete expression of the policy of opening to the outside world, Li said. The state will improve the work of sending students abroad and looking after them, he added.

Li stressed the importance of creating a social climate in which knowledge and educated people are respected. He promised to continue to improve the living conditions of intellectuals, particularly of teachers and scientists and technicians working in rural or remote areas.

#### **Deepening Enterprise Reform**

OW250905 Beijing XINHUA in English 0842 GMT  
25 Mar 88

[Text] Beijing, March 25 (XINHUA)—Enterprise revitalization is the central element of China's economic reform that will lead to a stable and long-term economic development, Li Peng told the First Session of the Seventh National People's Congress here today.

The key to the current reform, the acting premier said, is to introduce various forms of the contract system of managerial responsibility in accordance with the principle of separating ownership from management.

To deepen the reform of enterprises, Li said, it is necessary to do the following:

- introduce competition into the selection of managers or groups of managers, through public bidding, appointment, democratic election or other methods;
- strengthen the spadework of enterprises, entrust the factory director with full responsibility, strengthen democratic management and improve the system of congresses of workers and bring into play their initiatives and creativity;
- promote lateral ties between enterprises and develop group enterprises, encourage enterprises to take on the management of other enterprises through contracting, leasing and purchase of each other's shares and implement a system of shares on a trial basis and rationalize their structure and the mix of products; and
- allow enterprises to sell the property rights of their assets that are standing idle or operating far below capacity so as to make full use of them.

#### **Use of Foreign Capital**

OW250915 Beijing XINHUA in English 0850 GMT  
25 Mar 88

[Text] Beijing, March 25 (XINHUA)—Acting Chinese Premier Li Peng today said that China should explore more ways of using foreign capital.

"Bearing in mind our ability to repay foreign loans and our capacity to provide supporting funds and materials for projects involving foreign capital, we should borrow an appropriate amount according to a rational pattern, guide foreign investment in the right direction and raise the overall efficiency of its use," he added.

Li made these remarks in his report on the work of the Chinese Government to the First Session of the Seventh National People's Congress, which opened here this afternoon.

He emphasized that China should try to attract direct investment by foreigners and work hard to develop joint ventures, cooperative enterprises and wholly foreign-funded ones.

He said that attention should be paid to the cooperation of existing enterprises with foreign investors so as to accelerate technological transformation of these enterprises.

"We must further improve the climate for investment, accelerate the building of an infrastructure, raise administrative efficiency and protect the independent managerial rights of foreign-funded enterprises, so that foreign investors can invest in and manage enterprises in China in the same way as they have done elsewhere," Li Peng added.

#### **Setting Up Hainan Province**

OW250911 Beijing XINHUA in English 0846 GMT  
25 Mar 88

[Text] Beijing, March 25 (XINHUA)—Acting Premier Li Peng today proposed that Hainan Island, China's second largest, be made a province of China and be turned into the country's largest special economic zone, enjoying more favorable policies than the other existing four special economic zones.

Delivering a Government Work Report on behalf of the State Council at the opening session of the current plenary session of the Seventh National People's Congress (NPC), the Chinese leader said it will be very hard to develop the island. It must rely on its rich natural resources, make an overall plan, concentrate on key projects and attack the work in one area at a time.

One of the first things in developing the island, Li added, is to improve the investment climate so that the island will eventually be able to build a more open and export-oriented economic structure.

He said that more open policy measures will be introduced to Guangdong and Fujian Provinces and the island and comprehensive reform and opening experimental zones will be designated in these areas so as to accumulate experience for further reform and opening.

### **Family Planning**

*OW250919 Beijing XINHUA in English 0905 GMT  
25 Mar 88*

[Text] Beijing, March 25 (XINHUA)—China will continue to carry out the current policies of promoting later marriages and later childbirth and restricting each couple to only one child, affirmed Acting Premier Li Peng here today.

The goal is to keep China's population at about 1.2 billion by the end of this century, he said in his Government Work Report to the First Session of the Seventh National People's Congress (NPC) that opened here this afternoon.

He called for efforts to promote good prenatal care, sound practice in bringing up children and good education so as to improve the population qualitatively while controlling it quantitatively.

"It is a basic policy of our country to ensure family planning, control the growth of population increase and improve the population quality," Li Peng noted.

He praised governments at all levels and people working in family planning for their strenuous efforts to carry out this national policy and for doing so with marked success.

"However, he said, "our population base is large, and we are now in a peak period of births. Moreover, the influence of traditional attitudes is very strong, and many new situations and new problems emerge in the course of reform."

All this increases the difficulties in the work of family planning, and they should not be treated lightly, he told the NPC session.

### **Lhasa Riots Undermine Law**

*OW250917 Beijing XINHUA in English 0854 GMT  
25 Mar 88*

[Text] Beijing, March 25 (XINHUA)—The recent riot in Lhasa staged by a handful of splittists was a grave incident that violated the law and undermined the unity of the motherland, Acting Premier Li Peng said here today.

"The rioters must be severely punished," he told the First Session of the Seventh National People's Congress.

He said: "Tibet is an inseparable part of China's sacred territory, and any words or deeds designed to split the region from the motherland run counter to the fundamental interests of the people of all our nationalities, including the Tibetan people."

China is a unitary multi-national country. It is in the common interest of all nationalities to strengthen solidarity among them and safeguard the unity of the country, he said.

"It has been our consistent policy to respect and protect the democratic rights of the minority nationalities and their customs and habits," he told the session.

He called for further efforts to implement the law on regional national autonomy, to perfect the system of regional national autonomy, to conduct in-depth education about unity among nationalities, to oppose both Han chauvinism and narrow nationalism and to develop new socialist relations of equality, unity and mutual assistance.

The acting premier reiterated that the state respects the citizens' right to freedom of religious belief and protects normal religious activities.

But such activities should be conducted within the bounds of the Constitution and the law. No one should be allowed to engage, under the cloak of religion, in activities that impair national unity and undermine public order, he warned.

### **Reinforcing National Defense**

*OW250921 Beijing XINHUA in English 0909 GMT  
25 Mar 88*

[Text] Beijing, March 25 (XINHUA)—China must strengthen national defense in the next five years on the basis of steady development of its economy, Acting Premier Li Peng said here today.

In his Government Work Report to the first session of the National People's Congress that opened here this afternoon, he said that major achievements had been scored in the reform of the Army in the past five years.

"The task of reducing the size of the Army by one million was accomplished. The professional quality of officers and men was raised, and major improvements were made in equipment for defense," he told the session.

He urged the Army to carry on its reform systematically, actively and prudently.

Li Peng called on the defense-related scientific and technological departments and industrial enterprises to continue to adhere to the principle of combining military with civilian production, manufacturing products for both peacetime and wartime use.

He said: "They must work hard both to serve economic construction by developing civilian production and to modernize defense by developing military production and constantly improving the Army's technical equipment."

All Army officers and men should accelerate the building of a revolutionary, modern regular Army, constantly making new contributions to the defense and construction of the motherland, he noted.

#### **Soviet-U.S. INF Treaty**

*OW250927 Beijing XINHUA in English 0913 GMT  
25 Mar 88*

[Text] Beijing, March 25 (XINHUA)—Acting Premier Li Peng said here today China hopes that the United States and the Soviet Union will implement in earnest the intermediate-range nuclear forces (INF) treaty for the destruction of medium- and shorter-range missiles they signed last December.

Speaking at the First Session of the Seventh National People's Congress, Li said, "The people of the world have ample reason to demand that the United States and the Soviet Union make still greater efforts for disarmament."

Li noted that the nuclear weapons covered by the terms of the treaty comprise only a tiny part of the nuclear arsenals of the United States and the Soviet Union and that their destruction will by no means suffice to free mankind from the threat of nuclear war.

However, he said, the "treaty represents the first step towards reduction of nuclear weapons, and like many other countries, we have given it due evaluation."

China has never participated in the arms race and has always advocated comprehensive disarmament instead, Li said, adding that China has voluntarily and resolutely reduced its Armed Forces by one million.

He said China is a developing country, and it is exclusively for the purpose of self-defence that it possesses a small number of nuclear weapons. The Chinese Government has on many occasions declared to the world that at no time and under no circumstances would China be the first to use such weapons, and it declared in the spring of 1986 that from then on it would stop nuclear testing in the atmosphere, he added.

Li said the Chinese Government has repeatedly stated and still believes that the United States and the Soviet Union, which possess more than 97 percent of the world's total nuclear weaponry, should take the lead in stopping the testing, manufacture and deployment of such weapons and substantially reducing their existing number.

"Only after this is done will necessary conditions be created for the convocation of a broadly-represented international conference on nuclear disarmament with the participation of all the nuclear states," he added.

Li noted that at present, the United States and the Soviet Union are still improving their nuclear weapons and extending their arms race to outer space and other fields of high technology.

Even if they cut their strategic nuclear arms by 50 percent, the nuclear weapons they possess would still make up more than 90 percent of the world's total, he said, adding disarmament remains an arduous task.

"As always, China will continue to work, along with all peace-loving countries, for the cessation of the arms race, the complete prohibition and thorough destruction of nuclear, chemical and other weapons of mass destruction and the substantial reduction of conventional arms," Li stressed.

#### **Soviet Union, Afghanistan**

*OW250955 Beijing XINHUA in English 0958 GMT  
25 Mar 88*

[Text] Beijing, March 25 (XINHUA)—China hopes that the Soviet Union will withdraw all its troops from Afghanistan as it has announced, said Acting Premier Li Peng at the First Session of the Seventh National People's Congress today.

He said that recently some progress has been made with regard to the political settlement of the Afghan problem. For a long time the world community has been strongly demanding that the Soviet Union end its military occupation of Afghanistan and restore that country to independence, neutrality and non-alignment.

He expressed his hope that a coalition government formed by various parties concerned will be established in Afghanistan as early as possible and that millions of Afghan refugees will be able to return safely to their homeland to enjoy a peaceful life once again.

#### **Sino-U.S., Sino-Soviet Ties**

*OW251003 Beijing XINHUA in English 0941 GMT  
25 Mar 88*

[Text] Beijing, March 25 (XINHUA)—Acting Chinese Premier Li Peng said today that China, persisting in its determination to act independently, will never attach itself to either the United States or the Soviet Union or enter into alliance or strategic relations with either.

Li made this remark in his Report on the Work of the Government to the First Plenary Session of the Seventh National People's Congress, which opened here today.



In the past five years, Li said, the Sino-U.S. relations have been generally stable. High-level contacts have been maintained, and economic and trade relations, scientific and technological exchanges and exchanges of personnel have been expanded.

However, he said, a handful of people in the United States have always attempted to interfere in the internal affairs of China under various pretexts, in particular refusing to follow the one-China policy with regard to Taiwan openly declared by the U.S. Government.

"Their words and deeds, which run counter to the principle guiding the establishment of diplomatic relations between China and the United States, will inevitably harm relations between the two countries," he warned.

He expressed the hope that American politicians will realize that it is not only in the interest of China but also in the interest of the United States to have normal relations between the two countries. Stable development of Sino-U.S. relations will be possible only when the three communiques issued by China and the United States are strictly observed.

Turning to the Sino-Soviet relations, he said, trade, scientific and technological exchanges and exchanges of personnel have also increased between China and the Soviet Union in recent years. Consultations are going on for the normalization of state relations between the two countries, as are border talks.

"The normalization of relations conforms to the desire and fundamental interests of both peoples. We note that the Soviet Union has also stated that socialist countries should strictly abide by the principles of peaceful coexistence, but the three well-known obstacles that still exist between the two countries are at variance with these principles," he added.

To facilitate the settlement of the problem, he said, the Chinese leaders have long expressed their willingness to meet with their Soviet counterparts, with the necessary precondition that the Soviet Union stop supporting Vietnam in its aggression against Kampuchea and urge Vietnam to withdraw its troops from Kampuchea as soon as possible.

"Such action on the part of the Soviet Union will greatly accelerate the process of normalization of Sino-Soviet relations

#### **Hong Kong, Macao**

OW251019 Beijing XINHUA in English 0959 GMT  
25 Mar 88

[Text] Beijing, March 25 (XINHUA)—Acting Chinese Premier Li Peng reiterated here today that the general and specific policies of the Chinese Government relating to Hong Kong and Macao shall not change.

Li said this in his Report on Government Work to the First Plenary Session of the Seventh National People's Congress here today.

He noted that the Basic Law of the Hong Kong Special Administrative Region is already under preparation and a similar law needs to be drawn up for the Macao special administrative region. He proposed that this session set up a committee for drafting the basic law of the Macao special administrative region.

These two laws, he said, will give legal form to China's policies on the two regions and will play a vital role in their development in the decades to come.

He said that the further implementation of the reform, the open policy and the program of modernization on the mainland will provide powerful support to the prosperity and stability of Hong Kong and Macao, and the development of Hong Kong and Macao will in turn play an even greater role in the development of the motherland as a whole.

He expressed the hope that Hong Kong and Macao compatriots will work hand in hand with the people of the rest of the country to ensure the prosperity and stability of the two regions and the smooth and peaceful transfer of political power.

He pointed out that the satisfactory settlements of the Hong Kong and Macao questions left over by history in accordance with the principle of "one country, two systems" through friendly negotiations with the British and Portuguese Governments are "major events in the modern history of China and of the world, and they have received warm support from the people of the whole country, including Hong Kong and Macao compatriots, and have been widely welcomed by the international community".

In the three years since the signing of the Sino-British joint declaration, Hong Kong has enjoyed social stability and economic prosperity. China and Britain have cooperated closely to carry out the terms of the declaration, and there have been positive results in many fields.

The overall situation in Macao since the signing of the Sino-Portuguese joint declaration has also been satisfactory, he added.

#### **Relations With Neighboring Countries**

OW251017 Beijing XINHUA in English 0950 GMT  
25 Mar 88

[Text] Beijing, March 25 (XINHUA)—Acting Chinese Premier Li Peng said that China has always attached great importance to the maintenance and development of good-neighborly relations with the countries around China, and in particular, to peace and stability in Asia.

Li said this in his Report on Government Work to the First Plenary Session of the Seventh National People's Congress, which opened here today.

He said that the Democratic People's Republic of Korea is China's close neighbor. China supports the Korean Government in its reasonable proposal for the independent and peaceful reunification of Korea and its efforts for the relaxation of tension in the Korean peninsula.

He pointed out that China maintains good relations with the ASEAN countries as well as with Burma and various South Asian countries. Sino-Mongolian relations have been developing. There has been improvement recently in China's relations with Laos.

He noted that there has also been gradual improvement in China's relations with India in the past few years.

"We hope that China and India will settle their border question in the spirit of mutual understanding and accommodation and through friendly consultation, so that our relations can be further developed, and that prior to the settlement of the question peace and tranquility will be maintained in the border region," he said.

#### **Condemns Israeli Suppression**

OW251128 Beijing XINHUA in English 1030 GMT  
25 Mar 88

[Text] Beijing, March 25 (XINHUA)—Chinese Acting Premier Li Peng today condemned the Israeli authorities for their atrocities in suppressing the Palestinian people in the West Bank and the Gaza Strip.

Speaking at the First Session of the Seventh National People's Congress, Li reaffirmed that China supports the Arab countries and the Palestinian people in their just struggle against Israeli aggression and expansion.

He said China favors the convening of an international conference on the Middle East issue under the sponsorship of the United Nations to work out a just and comprehensive settlement.

Li reaffirmed China's support to the just struggles of the people of South Africa against racial discrimination, of the Namibian people for national independence and of the peoples of southern Africa to safeguard their national security and resist aggression by South Africa.

He said that China also supports the various Central American countries in their efforts to achieve peace and stability in the region.

"We are concerned with the tension now existing in the region, and we oppose any superpower interference in the internal affairs of other countries," Li added.

#### **SRV Not Sincere on Cambodia**

OW251138 Beijing XINHUA in English 1106 GMT  
25 Mar 88

[Text] Beijing, March 25 (XINHUA)—Acting Premier Li Peng said today to the NPC session that although the Vietnamese side has expressed the desire to withdraw its troops from Kampuchea, facts prove that they are not sincere.

He said, "Vietnam is a party to the Kampuchean conflict. If it wishes to pull out, it should do so straightforwardly; if it wishes to seek a political settlement, it should hold talks with Samdech Norodom Sihanouk, with the coalition government of Democratic Kampuchea."

He noted that Vietnam's aggression against Kampuchea has entered its tenth year. The Vietnamese authorities should realize that armed invasion will not subdue the Kampuchean people and has only placed themselves in a grave predicament.

Li said, "We firmly support the Kampuchean people in their struggle against Vietnamese aggression, and it has consistently been our view that the key to a fair and reasonable political solution of the Kampuchean problem is the complete withdrawal of Vietnamese troops at the earliest possible date, which will permit the various parties in Kampuchea to solve their internal problems through consultation."

China respects the efforts made by Prince Sihanouk and the international community to achieve a fair and reasonable resolution of the Kampuchean issue so that Kampuchea will once again become an independent, peaceful, neutral and non-aligned state, Li said.

#### **Creative Theoretical Research**

OW251146 Beijing XINHUA in English 1110 GMT  
25 Mar 88

[Text] Beijing, March 25 (XINHUA)—China must implement a stable policy with regard to cultural affairs, Acting Premier Li Peng declared here today.

He made this remark in his Government Work Report to the First Session of the Seventh National People's Congress that opened here this afternoon.

He stressed the need to adhere to the principle of serving socialism and serving the people, and carry out the policy of "letting a hundred flowers bloom, a hundred schools of thought contend" to help all cultural undertakings grow and flourish.

The Chinese acting premier called on workers in the social sciences to firmly base themselves on the practice of reform and construction to engage in creative theoretical research and enrich and perfect the theory concerning the primary stage of socialism.



He urged writers and artists to go among the masses, plunge into the thick of life and then reflect in their art the great tide of reform and construction, kindling the people's aspirations and their will to forge courageously ahead and producing outstanding works befitting this great era.

Li Peng also stressed the importance of developing China's fine cultural tradition, promote cultural exchange with other countries and assimilate the achievements of civilization the world over.

"Meanwhile, we should gradually improve the legal system in cultural sphere, strengthen control over the cultural products market, protect healthy cultural undertakings, ban reactionary and obscene things and combat the corrosive influence of decadent feudal and capitalist ideas," he noted.

It is necessary, he added, to encourage the mass media to play their part in supervision by public opinion, and support their conscientious efforts to expose and criticize bureaucratism, breaches of law and discipline and other forms of corruption.

#### **Developing Modern Agriculture**

OW251234 Beijing XINHUA in English 1149 GMT  
25 Mar 88

[Text] Beijing, March 25 (XINHUA) — China must increase its grain production by 8 million tons every year and produce 500 million tons by the end of this century. Acting Premier Li Peng told the First Session of the Seventh National People's Congress (NPC) here today.

At the same time, he said, China must produce more cash crops, such as cotton, oil-yielding crops and sugar-yielding crops, and expand animal husbandry and aquatic production.

With only 1.5 mu (0.1 hectare) of arable land per capita in China, Li noted, it is difficult but imperative to meet both the need of national construction and the people's need for farm and sideline products and to move from a society in which people are merely assured of adequate food and clothing to one in which they enjoy a relatively comfortable standard of living.

Li pointed out that a self-contained or semi-self-contained economy in China's rural areas is changing to a commodity economy. The problems that arise in the course of developing the commodity economy should be solved in accordance with the laws of value, he stressed.

To bring into full play the peasants' enthusiasm for agricultural production, especially the production of grain, in the next five years China must increase investment in agriculture and improve the material and technical conditions of farm production so as to provide the basis for its further development, said Li Peng.

He also asked the country to step up construction of water conservancy works, harness big rivers, plant more trees and strengthen the capacity to prevent natural calamities such as floods, droughts, windstorms and invasions of insect pests.

He told the NPC delegates that the state's investment in agriculture will grow as national strength grows. He asked local authorities to increase their investment and, in particular, to encourage rural co-operative organizations and vast numbers of peasant households to increase their accumulation for and input into agriculture so that it can develop in a self-sustained way.

"To this end, while maintaining the household-based system of contracted responsibility with remuneration linked to output, we should formulate policies which will further mobilize the peasants' enthusiasm for agricultural production, and raise their confidence in those policies, so as to give them a sense of security and encourage them to manage and develop their land on a long-term basis," he said.

As one of the important measures, China will renovate and expand a number of chemical fertilizer plants and increase the output of standard fertilizer by 15 million tons in the next five years, he said. China turned out 17.03 million tons of fertilizer in 1987, according to the State Statistical Bureau. As for adjusting the structure of rural production, Li Peng called for efforts to develop farming, forestry, animal husbandry, sideline occupations and fishery in an all-round way and continue to develop village and township enterprises and service trades so that they become an important force backing the development of agriculture.

"In short, to keep the rural economy thriving for a long time to come," he said, "we should integrate the use of the abundant labor in rural areas with the exploitation of natural resources, the expansion of the urban economy with that of the rural economy and development of a domestically-oriented economy with that of an externally-oriented one."

The basic solution to the problem of China's agriculture is to change traditional agriculture into modern agriculture, Li Peng stressed. In recent years, intensive agriculture managed on a fairly large scale has begun to emerge in some areas where the economy is relatively developed and in the suburbs of large cities. This is the inevitable trend and orientation of economic development in China's rural areas, he said.

#### **Strengthening Basic Industries**

OW251252 Beijing XINHUA in English 1156 GMT  
25 Mar 88

[Text] Beijing, March 25 (XINHUA)—China must strengthen its basic industries and infrastructure, the weak lines of the Chinese economy, Acting Premier Li Peng told the First Session of the Seventh National People's Congress (NPC) here today.

The country should first accelerate the development of the energy industry, primarily of electric power, and try to add on average 9 million kw of installed generating capacity a year, thus alleviating the electricity shortage in five years.

The coal industry should increase output of raw coal by more than 30 million tons a year and try to improve the quality, said Li, adding that the petroleum industry should try to speed up the general survey of and prospecting for inland and offshore oil and natural gas resources and try to increase the output of crude oil by three million tons a year.

At the same time, he said, China should also speed up the development of raw materials industries, increase steel output by more than 2.5 million tons a year and expand production of non-ferrous metals, raw materials for chemical industries and building materials.

Li said that China should develop a comprehensive transport system, integrating the existing railways, highways, water routes, air routes and pipelines and rationalizing the division of loads among them so as to raise their overall efficiency. He asked railway departments to increase transport capacity by more than 40 million tons a year.

The country should continue to build more coastal harbors and highways to greatly expand inland water transport, he added. At the same time, it should expand ocean transport to serve foreign trade. Civil aviation capacity should also be expanded.

He also urged efforts to speed up development of posts and telecommunications and ease the strain on local calls in large and medium-sized cities and further increase the capacity of long-distance domestic and international communications.

#### Government Work Objectives

OW251253 Beijing XINHUA in English 1202 GMT  
25 Mar 88

[Text] Beijing, March 25 (XINHUA) — China's gross national product (GNP) will reach some 1,550 billion yuan in 1992 with an average annual growth rate of 7.5 percent in the 1988-1992 period, Chinese Acting Premier Li Peng said here today.

Delivering a Government Work Report on behalf of the State Council at the First Plenary Session of the Seventh National People's Congress (NPC), which opened here this afternoon, the Chinese leader said that the country's 1992 GNP will be 2.7 times the 1980 figure, laying the groundwork for quadrupling the country's 1980 GNP and achieving a fairly comfortable living by the end of this century.

"To ensure that we achieve the objectives of our economic and social development, we must firmly implement the party's basic line for the primary stage of

socialism, concentrate on economic development, uphold the four cardinal principles and persist in reform and the open policy," Li Peng said.

In the 1988-1992 period, he said, the government should follow the following principles:

— put the reform at the center of all undertakings and integrate it more closely with economic development so that the two are coordinated and promote each other;

— conscientiously carry out the strategy of steady, long-term development of the economy, make greater efforts to promote the development and reform of science, technology and education and speed up the development of an export-oriented economy in the coastal regions in order to promote economic prosperity and advance modernization of the whole country;

— while accelerating and deepening reform of the economic structure, vigorously and steadily push forward reform of the political structure, develop socialist democracy, strengthen the socialist legal system and consolidate and develop political stability and unity; and

— concentrate on economic development and support it with ideological education and intellectual resources, strengthen socialist culture and ideology so as to gradually foster good standards of social conduct as required by the socialist society.

#### Developing Coastal Areas

OW251254 Beijing XINHUA in English 1208 GMT  
25 Mar 88

[Text] Beijing, March 25 (XINHUA)—China must open wider to the outside world and take an active part in world economic exchange and competition, Acting Premier Li Peng told the First Plenary Session of the Seventh National People's Congress today.

Coastal areas must speed up the growth of an export-oriented economy, and the prosperity there will stimulate the economic growth of the whole country, Li said.

The relatively developed provinces and cities along the coast will further expand the open areas, make full use of their abundant and low-cost labor resources, carry out a policy of importing raw and semi-finished materials and exporting finished goods, encourage both labor-intensive and labor/technology-intensive processing for export and participate in international exchange, he said.

In developing an export-oriented economy, Li said, coastal industrial cities and the special economic zones should serve as the vanguard, letting large and medium-sized state-run enterprises play a major role in earning foreign exchange through export.

It is especially important to take advantage of the rural labor force in the coastal regions and of township enterprises to develop export-oriented industry and agriculture in the countryside, he said.

He called for more economic ties between the coastal regions and the interior and the transfer of technology, managerial experience and technical and professional personnel to the central and western regions so that they too can develop rapidly.

While developing the coastal regions, China must make an overall plan for economic development of the country as a whole, said the acting premier, adding that the interior regions should take advantage of the development of the export-oriented economy in coastal areas to promote their local economy and, in accordance with local conditions, open wider to the rest of the world.

#### **Foreign Trade System**

*OW251255 Beijing XINHUA in English 1214 GMT  
25 Mar 88*

[Text] Beijing, March 25 (XINHUA)—Acting Chinese Premier Li Peng said today that to meet the needs of the open policy and the strategy for the development of an export-oriented economy, China must quicken and deepen the reform of its system for managing foreign trade.

Li said this in his report to the First Plenary Session of the Seventh National People's Congress.

He disclosed that beginning this year, China shall be introducing the contract system of management in foreign trade throughout the country and making localities responsible for their earnings of foreign exchange and for the quota of foreign exchange to be handed in to the central government.

"We shall also adjust the percentage of foreign exchange earnings that the localities are entitled to retain in order to provide them with better conditions for doing business," he added.

He said that except for certain commodities which are essential to the national economy and the people's everyday life and the export or import of which the central government will continue to manage directly, management authority over most commodities will be delegated to lower levels and departments concerned with such management will also be transferred to lower levels.

He said that the contract responsibility system must be introduced in enterprises engaged in foreign trade and production of exports in order to stimulate their initiative.

National corporations which engage in foreign trade or which combine production with marketing, he said, must gradually move towards a more versatile, more international orientation in terms of their range of products and services. In a planned way, they must shift the focus of their efforts onto opening up world markets and providing services for foreign trade enterprises at home.

"We must quickly adopt a system whereby foreign trade corporations can act as agents for enterprises that wish to import and export goods. We must also expand lateral economic ties and encourage the overall development of foreign trade," he added.

He said that China must, in principle, select its best products for export, gradually adjust their mix, develop production bases for export goods and enlarge and improve China's sales and service network for overseas markets.

To guarantee the healthy development of China's foreign trade, he said, China should make full use of the regulating function of the departments of foreign trade, pricing, financial administration, taxation, banking, customs, commodity inspection, foreign exchange control and industrial and commercial administration, the supervisory function of the auditing and supervision departments and the coordinating function of the foreign trade associations.

He also noted that further steps should be taken to increase China's contracts for projects and labor-services cooperation abroad.

#### **Government Structural Reform**

*OW251259 Beijing XINHUA in English 1234 GMT  
25 Mar 88*

[Text] Beijing, March 25 (XINHUA)—Acting Chinese Premier Li Peng today called for the establishment of a flexible, effective and smoothly operating system of administration and management in accordance with the principles of separation of party and government, separation of government and enterprises, simplification, unity and efficiency.

Li presented a proposal for reform of the structure of the State Council to the First Session of the Seventh National People's Congress.

He explained that when the reform proposal is examined and approved by this congress, new ministries and commissions will be established and put into operation within three months. Internal adjustments and streamlining of staff in the old ministries and commissions must be completed within six months.

Except for those cities which are selected for pilot projects with the approval of the State Council, the structural reform of governments of provinces, autonomous regions and municipalities directly under the central government is to begin in 1989, Li added.

He said the government structural reform will focus on introducing changes in functions and reorganizing the government to make it better suited to the demands of the economic structural reform and to the development of a socialist commodity economy.



The reform will also focus on the departments of economic management that are most closely bound up with economic reform, and in particular on the specialized departments and specialized units in the departments in charge of comprehensive management, Li said.

Li said that an important purpose of the structural reform is to overcome bureaucracy, raise efficiency and foster good style of work.

He said that all cadres, especially leading cadres, should firmly oppose corruption (the use of power for personal advantage, jobbery, the taking or offering of bribes), put a stop to extravagance and waste (wining and dining of official guests, touring the country at public expense) and promote a commendable work style based on honesty, hard work, plain living and the desire to serve the people loyally, energetically and conscientiously.

#### North-South Cooperation

OW251256 Beijing XINHUA in English 1226 GMT  
25 Mar 88

[Text] Beijing, March 25 (XINHUA)—Chinese Acting Premier Li Peng today called for North-South cooperation to overcome economic difficulties, when delivering his Government Work Report to the First Session of the Seventh National People's Congress.

He noted that increasingly turbulent world economic situation in recent years has aroused attention and anxiety in various countries. Although the economic growth of the developed countries continues at a low rate, there have been intensified clashes among them, and a new economic recession is looming larger and larger, he added.

He said many developing countries are also facing hard times because of reduced export earnings and increased debt.

Under these circumstances, the developed countries are seeking to co-ordinate their economic policies and stabilize finance, Li noted, adding that to revive their economies, quite a few developing countries are groping for development strategies that are suited to their particular conditions, and have adopted some measures to promote South-South cooperation.

He said, "A solution can be found only when north and south work together to overcome the difficulties in accordance with the principle of mutual benefit, given the ever-closer economic ties between all countries."

He said history has created the gap in wealth between south and north, but in today's world it is increasingly difficult for the developed countries to maintain their prosperity and stability on the basis of widespread poverty and backwardness in the developing countries.

The North-South dialogue should be continued, and the irrational world economic order should be altered, Li said.

China supports the Third World countries' just demands and reasonable proposals for opposing trade protectionism, raising the prices of primary products and reducing the burden of foreign debt, he said.

He hoped that the developed countries will pursue far-sighted policies and take effective measures in matters of finance, trade and technology transfer and especially for the alleviation of the heavy burden of debt on the Third World countries, so as to create a favorable international environment and conditions for the development of the Third World.

"Only by so doing can the developed nations solve their problems with regard to commodity markets, outlets for funds and supplies of raw materials, thus promoting the common prosperity of all nations," Li stressed.

#### Third World Relations

OW251303 Beijing XINHUA in English 1240 GMT  
25 Mar 88

[Text] Beijing, March 25 (XINHUA)—Acting Chinese Premier Li Peng said today that it is the cornerstone of China's foreign policy to strengthen its unity and cooperation with other Third World countries.

Li said this in his Report on Government Work to the First Plenary Session of the Seventh National People's Congress, which opened here today.

He said that China appreciates the efforts made by the various organizations of regional cooperation in the Third World to maintain security and promote development in their respective regions.

"We are ready to exchange experience in economic development and national construction with the Third World countries so that we may learn from each other," he added.

As a member of the Third World, he said, China understands the difficulties faced by other developing countries, sympathizes with them and has provided aid to some of them to the extent possible.

"Our ability to offer aid is limited, however, because we ourselves have a poor economic foundation and a large population," he added.

He said, "We shall continue to actively develop economic and trade relations with the developing countries as well as scientific and technological cooperation, in accordance with the principles of 'equality and mutual benefit, stress on practical results, diversity of form and common progress'. We believe that to abide by these principles is the effective way to promote south-south cooperation".

"We favor and support the objectives of the Nonaligned Movement and highly appreciate the important role it has played in international affairs," he said.

#### **Public Service System**

OW251305 Beijing XINHUA in English 1247 GMT  
25 Mar 88

[Text] Beijing, March 25 (XINHUA)—Acting Chinese Premier Li Peng said today in his Government Work Report to the First Session of the Seventh National People's Congress that China should establish step by step a national public service system.

He said regulations concerning public servants must be formulated as soon as possible and a law governing them should then be drafted.

Li said schools of administration should be established to train administrative personnel.

From now on, Li said, the recruitment of personnel by governments at all levels must be done in accordance with the regulations on public servants, so that outstanding people are selected after they have passed examinations.

#### **Consumption Policies**

OW251327 Beijing XINHUA in English 1257 GMT  
25 Mar 88

[Text] Beijing, March 25 (XINHUA)—Acting Premier Li Peng today stressed the need to formulate correct policies for consumption, and guide and regulate it to create a structure of production and consumption with Chinese characteristics.

He said this in his Government Work Report to the First Session of the Seventh National People's Congress that opened here today.

He said that China must determine a correct ratio of consumption to accumulation and explore effective ways to control ballooning consumption, making its expansion commensurate with the development of production and the increase in productivity.

"At present, public consumption in our country is at an intermediate level between sufficiency and comfort and so we must pay special attention to handling well the relations between economic development and the people's standard of living," he told the session.

"Our country has a huge population for which resources are insufficient," he went on, "and for a long time to come we shall have to maintain our fine tradition of diligence and thrift, adapting the structure of our consumption to the need to conserve resources."

For a relatively long time, because of the restrictions imposed by the amount of grain held per capita, a major increase in supplies of meat, poultry, eggs and other animal food products will not be possible, and food pattern will have to conform to that situation.

He stressed the importance of improving the distribution of the national income, continuing to combat equalitarianism and persevere in the policy of permitting a part of the population to become prosperous before the rest through honest labor or lawful management.

"At the same time, we should keep to our objective of common prosperity," he told the session.

"Judging from the present level of production and future trends, so long as there is a steady expansion of the economy and a constant increase in economic returns and so long as the structure of production and consumption is kept more or less rational, the living standards of the people are sure to rise."

The acting premier pledged to strive to attain the objective set in the Seventh Five-Year Plan (1986-90) of an average yearly increase of four percent in the real per capital consumption level of both urban and rural populations.

#### **Building Socialist Democracy**

OW251323 Beijing XINHUA in English 1249 GMT  
25 Mar 88

[Text] Beijing, March 25 (XINHUA)—Acting Premier Li Peng today stressed the importance of building socialist democracy at the First Plenary Session of the Seventh National People's Congress.

Building socialist democracy involves, above all, mobilizing the initiative of basic units and the masses, broadening and institutionalizing democracy at the grass-roots level and guaranteeing that the workers, peasants, intellectuals and other people can exercise their rights as masters of the country, Li said.

The system of democratic consultation and dialogue is an effective way for governments at all levels to correctly handle the contradictions among the people, exchange ideas with the masses and eliminate barriers between them, Li said.

He asked responsible cadres at all levels of government and in various government departments to conduct regular and direct consultations and dialogues with the people on a basis of equality, to listen to what they have to say, show concern for their hardships and accept their reasonable suggestions and correct criticisms, so as to improve work and overcome unhealthy tendencies.

He called for closer touch with the People's Political Consultative Conference, the democratic parties and patriots without party affiliation, listen to their views and respect their proposals.

He also asked governments at all levels to rely on the trade unions, the Communist Youth League, the Women's Federation and other people's organizations and strengthen socialist democracy.

China has always paid great attention to and protected the legitimate rights and interests of Chinese nationals overseas and of those who have returned to China and their families, Li said.

The government should listen to their opinions and suggestions on its work and unite with them so that they can make greater contributions to the development of China's economic, technological and cultural exchanges and co-operation with foreign countries and promote friendship between the Chinese and other peoples and the rejuvenation of China, Li said.

Socialist democracy requires the protection of a socialist legal system, Li said. China's socialist system of law, based on the Constitution, has been basically established, and the political and economic life of the country, together with the functioning of the government, are gradually being brought within the jurisdiction of law, he said.

The country must continue to strengthen the socialist legal system so that it will develop along with reform and construction, he said.

#### **Sino-European Relations**

*OW251337 Beijing XINHUA in English 1307 GMT  
25 Mar 88*

[Text] Beijing, March 25 (XINHUA)—Chinese Acting Premier Li Peng said at the First Session of the Seventh National People's Congress here today that major progress has been made in China's relations with the socialist countries in Europe in recent years.

He said China has maintained all-round friendly relations and co-operation with Romania and Yugoslavia and normalized relations with Poland, the Democratic Republic of Germany, Czechoslovakia, Hungary and Bulgaria.

"We shall exchange experience in socialist construction and reform with them in the spirit of mutual respect, equality and mutual benefit, and expedite the further development of friendly relations in all fields," Li said.

China's relations with various west european Countries, Canada, Australia and New Zealand are sound, Li said, adding China and these countries hold identical or similar views on many major international issues.

"We note with satisfaction that these countries have taken a positive attitude towards developing economic and trade relations with China as well as scientific and

technological exchanges. There are broad prospects for our co-operation in these fields, and we shall be [words indistinct] to work with them to expand it for our mutual benefit," Li said.

#### **Sino-Japanese Relations**

*OW251335 Beijing XINHUA in English 1304 GMT  
25 Mar 88*

[Text] Beijing, March 25 (XINHUA)—Acting Chinese Premier Li Peng reiterated today that Sino-Japanese friendship conforms to the fundamental interests of the people of both countries.

"Neither the Chinese people nor the Japanese people wish to see the incidents that occurred in Japan recently to the detriment of the normal development of Sino-Japanese relations," he added.

Li made these remarks in his report on government work to the First Plenary Session of the Seventh National People's Congress, which opened here today.

He said that Japan is China's near neighbor and there are close economic and trade relations and frequent exchanges of personnel between the two countries.

He pointed out that problems existing in the Sino-Japanese relations can be solved on the basis of the Sino-Japanese joint communique and the Sino-Japanese Treaty of Peace and Friendship and that good-neighboring relations between the two countries will constantly expand.

#### **Urges Taiwan Action**

*OW251341 Beijing XINHUA in English 1311 GMT  
25 Mar 88*

[Text] Beijing, March 25 (XINHUA)—Acting Premier Li Peng today urged the Taiwan authorities to put the interests of the whole nation above everything else and take measures to establish the three links with the mainland in trade, in mail service and in air and shipping services and to bring about peaceful reunification.

"We hope that our compatriots in Taiwan, Hong Kong and Macao, Chinese nationals abroad and people of all nationalities on the mainland will unite more closely, pool their wisdom and their efforts and work with one heart and one mind to expedite the process of reunification," he added.

Li expressed these desires in his report on government work to the First Plenary Session of the Seventh National People's Congress.

He said, "The reunification of the motherland and rejuvenation of the nation are the common aspirations of the people of all China's Nationalities and the glorious



mission entrusted to our generation by history. The question of the early reunification of Taiwan with the mainland now stands out very prominently before the Chinese people."

"For many years, we have been in favor of trade between the two sides, and links in mail, air and shipping services and free flow of people so as to promote understanding through increased contacts and eventually to bring about reunification in accordance with the principle of 'one country, two systems,'" he said.

"We are glad to see that having loosened restrictions on visits by the people of Taiwan to family members on the mainland, the Taiwan authorities have recently decided to give permission to more people for such visits. At the same time, cultural, academic and economic exchanges between people on Taiwan and on the mainland have expanded. This conforms to the fundamental interests of the compatriots on both sides of the straits," he said.

He welcomed more and more Taiwan compatriots to come to the mainland to visit their relatives or for sightseeing and more and more businessmen and entrepreneurs in Taiwan to do business, make investments or set up factories in the special economic zones or other regions of the mainland, so that the mainland and Taiwan may help each other economically.

He stated that the one billion Chinese people, including the Taiwan compatriots, eagerly desire the early reunification of the motherland and its prosperity. That is the will of the people, and it accords with the general trend of events.

"We are ready to consult with the Taiwan authorities and with prominent individuals in all walks of life on the reunification of the country. We accept all proposals that are favorable to reunification, reject those that are detrimental to it, and we firmly oppose any action designed to split the nation, whether it is initiated on Taiwan or outside it," he declared.

### Construction, Reform

OW251345 Beijing XINHUA in English 1314 GMT  
25 Mar 88

[Text] Beijing, March 25 (XINHUA)—Acting Premier Li Peng stressed today that construction must rely on reform and reform must promote construction.

"We should continue to put reform at the center of all our undertakings," he said in his Government Work Report to the First Session of the Seventh National People's Congress that opened here today.

In the report, he reviewed China's practice in construction and reform in the past five years, and summarized the five most important conclusions for the country's future work:

First, it is imperative to establish the guiding principle that "construction must rely on reform and reform must promote construction and continue to put reform at the center of all China's undertakings.

This is indispensable to fulfilling the central task of accelerating socialist modernization and developing the productive forces in the primary stage of socialism.

"Since China is a developing country which is economically poor and culturally backward in which development has been very uneven, the reform can not possibly be carried out in easy economic circumstances," Li Peng told the session.

"We must continue to base ourselves on realities, observe objective laws and constantly resolve the contradictions in social and economic life, promoting steady and coordinated economic growth," he noted.

Second, in both construction and reform, it is necessary to continue to proceed from actual conditions, emancipate minds and respect practice.

Said the acting premier: "In carrying out construction and reform we cannot simply follow what the books say or mechanically imitate the example of other countries.

"Neither can we proceed from subjective wishes, divorce ourselves from reality and do whatever we please. Rather, basing ourselves on China's national conditions, we must persevere in making practice the criterion of truth and work hard to explore our own way."

Emancipating minds means boldly breaking with the traditional ideas and conventions that hinder the growth of the productive forces, shaking off the yoke of rigid ideas.

"We must firmly support whatever promotes the development of the productive forces and resolutely discard whatever hampers it," he said.

Third, in both construction and reform it is imperative to focus on improving economic results, constantly promote scientific and technological progress and strengthen modern management.

Although the economic results of China's production and construction have been improved to some extent, Li Peng said, China is still far from overcoming its backwardness in this respect.

"Unless this problem is solved, we cannot modernize our country's economy," he said.

To achieve big improvements in economic results and shift from extensive to intensive management, China should vigorously promote scientific and technological progress and constantly strengthen scientific management.

Fourth, to ensure the smooth progress in construction and reform, it is imperative to correctly handle the relations between their objectives and the steps to be taken to achieve those objectives.

The objectives for construction and reforms set by the 13th National Congress of the Chinese Communist Party are correct, Li Peng said.

He noted: "However, we must be aware that they are, after all, only in rough outline that must be filled out and refined in practice. Likewise, the specific steps to accomplish them can only be explored in practice."

He stressed the need to adhere to original goals and maintain direction in construction and reform.

He said, "Meanwhile, we should be mentally prepared for possible difficulties on the road ahead, take into account what the state, the enterprises and the masses can tolerate, do our best within the limits of our capability and press forward vigorously and steadily."

Fifth, it is necessary to properly balance the interests of various sectors and fully mobilize the enthusiasm of the cadres and the masses.

Whether China's reform can proceed smoothly depends largely on how well the cadres and masses understand and support and on how successfully their initiative is mobilized.

"Although reform will ultimately bring immense benefits to the people, certain specific measures of reform may not bring them immediate benefits and may even work temporarily against the interests of some people.

"We must face up to this problem, pay close attention to conflicts of interest and defects in our work arising in the course of reform, study them carefully and remedy them."

#### **Iran-Iraq War**

OW251351 Beijing XINHUA in English 1331 GMT  
25 Mar 88

[Text] Beijing, March 25 (XINHUA)—Acting Premier Li Peng called on both Iran and Iraq to stop war and make peace here today.

Delivering his Government Work Report to the First Session of the Seventh National People's Congress, Li said, "We have consistently stood for the settlement of international disputes through peaceful negotiations. Conflict will only bring harm to the developing countries, and friendly coexistence alone will benefit all parties concerned."

He noted that resolution 598 adopted by the United Nations Security Council last year provides a good foundation for the peaceful settlement of the conflict between Iran and Iraq. "We support the secretary-general in his efforts for mediation," Li added.

"China will always support any measure conducive to the implementation of Security Council Resolution 598 and the early termination of the Iran-Iraq conflict," Li said.

"We disapprove of the military involvement of the two superpowers as it breeds the danger of an escalation of the conflict," he added.

#### **Sees Better Living Standards**

OW251150 Beijing XINHUA in English 1114 GMT  
25 Mar 88

[Text] Beijing, March 25 (XINHUA)—Acting Premier Li Peng today stressed the need to formulate correct policies for consumption, and guide and regulate it to create a structure of production and consumption with Chinese characteristics.

He said this in his Government Work Report to the First Session of the Seventh National People's Congress that opened here today.

He said that China must determine a correct ratio of consumption to accumulation and explore effective ways to control ballooning consumption, making its expansion commensurate with the development of production and the increase in productivity.

"At present, public consumption in our country is at an intermediate level between sufficiency and comfort and so we must pay special attention to handling well the relations between economic development and the people's standard of living," he told the session.

"Our country has a huge population for which resources are insufficient," he went on, "and for a long time to come we shall have to maintain our fine tradition of diligence and thrift, adapting the structure of our consumption to the need to conserve resources."

For a relatively long time, because of the restrictions imposed by the amount of grain held per capita, a major increase in supplies of meat, poultry, eggs and other animal food products will not be possible, and food pattern will have to conform to that situation.

He stressed the importance of improving the distribution of the national income, continuing to combat equalitarianism and persevere in the policy of permitting a part of the population to become prosperous before the rest through honest labor or lawful management.

"At the same time, we should keep to our objective of common prosperity," he told the session.

"Judging from the present level of production and future trends, so long as there is a steady expansion of the economy and a constant increase in economic returns and so long as the structure of production and consumption is kept more or less rational, the living standards of the people are sure to rise."



The acting premier pledged to strive to attain the objective set in the Seventh Five-Year Plan (1986-90) of an average yearly increase of four percent in the real per capital consumption level of both urban and rural populations.

### **'Many Changes' in Li's Report**

HK250208 Hong Kong WEN WEI PO  
in Chinese 25 Mar 88 p 2

[Report: "There Are Many Changes in Li Peng's Report Compared With the Draft for Discussion"]

[Text] Beijing, 24 Mar—Acting Premier Li Peng will deliver a report on government work to the First Session of the Seventh NPC tomorrow. Compared with the draft for discussion, we find that there are several important changes and supplements in the official report.

In the first part of the report, under the heading "A Basic Summing-up of the Domestic Work Over the Past 5 Years," Li Peng more sharply reveals the shortcomings in the work of the government. The following sentences have been added: "We neglected economic results," "malignant accidents happened time and again," and "these accidents brought great losses to our reform, construction, and the lives and property of the people." In the part under the subhead "Lessons Worth Drawing," the following sentence has been added: "We resolutely protect all incomes based on pay according to the amount of work and all incomes from hard work and legal business operation."

In the second part, under the heading "The Targets, Guiding Principles, and Tasks for the Coming 5 Years," the following revisions have been made: GNP of approximately 1,600 billion yuan has been changed to approximately 1,500 billion yuan, and annual growth rate has been reduced from 8 percent to 7.5 percent. The main tasks of the State Council for the coming 5 years have been increased from 8 to 10. The two tasks added are: "Further strengthening socialist democracy and the legal system, consolidating and developing the political situation characterized by stability and unity" (the work of condemning violent upheaval in Lhasa is included in this task), and "further strengthening national buildup with the development of economic construction."

The role of science, technology, and education is further stressed. The following wording has been added: "Science and technology are a key to, and education a base for, modernization."

In the draft for discussion, in the part under the heading of opening up to the outside world, is the wording "participating in the great international circle." In the official report, this has been changed to "participating in international exchanges."

In the third part, under the heading "On Diplomatic Work," the following important changes have been made:

Regarding the Soviet-U.S. INF treaty, a comment of "taking it with some reservation" has been added. North Korea "is our close neighbor," and a passage condemning Vietnam's provocation in the Nansha Islands, and so on have been added.

In the part concerning Hong Kong, Macao and Taiwan, the following sentences have been added: "Efforts must be made to start the drafting of the basic law for the Macao Special Administrative Region. I propose that this session examine, discuss, and decide on a drafting committee for the basic law of the Macao Special Administrative Region. These two basic laws have reflected the Chinese Government's guiding principle and policy for Hong Kong and Macao in a form of law. They will play a very important role in the developing of Hong Kong and Macao for scores of years to come." Several hundred characters have been added to the passage concerning the guiding principle for Taiwan. The following wording is included: "We resolutely oppose any actions aimed at splitting our country, whether they come from the island or outside the island."

### **Further Reports Concerning NPC Meeting**

#### **Laws, Policy Decisions Viewed**

OW240529 Beijing XINHUA in English 0236 GMT  
24 Mar 88

["Backgrounder: Laws and Policy Decisions Made by Sixth NPC"—XINHUA headline]

[Text] Beijing, March 24 (XINHUA)—The Sixth National People's Congress (NPC), China's highest legislative body, has held 5 plenary sessions and its Standing Committee held 25 meetings since 1983.

Over the past 5 years, the Sixth NPC and its Standing Committee have examined and approved 35 laws, 11 supplementary regulations, and 17 decisions. They include:

The Law on Ensuring the Safety of Marine Communications, approved at the 2d Meeting of the NPC Standing Committee in September 1983;

The Law of Statistics, approved at the 3d Meeting of the NPC Standing Committee in December 1983;

The Patent Law, approved at the 4th Meeting of the NPC Standing Committee in March 1984;

The Law on Regional Autonomy for China's Minority Nationalities, and the Military Service Law, approved at the 2d Plenary Session of the NPC in May 1984;

The Forestry Law and the Law Concerning Pharmaceuticals Control, approved at the 7th Meeting of the NPC Standing Committee in September 1984;

The Accountancy Law, approved at the 9th Meeting of the NPC Standing Committee in January 1985;

The Law on Sino-Foreign Economic Contracts, approved at the 10th Meeting of the NPC Standing Committee in March 1985;

The Inheritance Law, approved at the 3d Session of the NPC in April 1985;

The Grassland Law, approved at the 11th Meeting of the NPC Standing Committee in June 1985;

The Measurement Law, approved at the 12th Meeting of the NPC Standing Committee in September 1985;

The Law on Entry and Exit Procedures for Foreign Citizens, approved at the 13th Meeting of the NPC Standing Committee in November 1985;

The Fisheries Law, approved at the 14th Meeting of the NPC Standing Committee in January 1986;

The Law on Mineral Resources, approved at the 15th Meeting of the NPC Standing Committee in March 1986;

The Law on the General Principles of the Civil Code, the Compulsory Education Law and the Law on Enterprises Operated Exclusively With Foreign Capital, approved at the 4th Plenary Session of the NPC in April 1986;

The Land Management Law, approved at the 16th Meeting of the NPC Standing Committee in June 1986;

The Postal Service Law, the Trial Enterprise Bankruptcy Law and Border Quarantine Law, approved at the 18th Meeting of the NPC Standing Committee in December 1986;

The Customs Law, approved at the 19th Meeting of the NPC Standing Committee in January 1987;

The Law on Technical Contracts, approved at the 21st Meeting of the NPC Standing Committee in June 1987;

The Law on the Prevention and Treatment of Air Pollution and the Archives Law, approved at the 22d Meeting of the NPC Standing Committee in September 1987;

The Organic Law of the Village Committee (Trial), approved at the 23d Meeting of the NPC Standing Committee in November 1987;

The Water Law, approved at the 24th Meeting of the NPC Standing Committee in January 1988;

The decision on the revision of the Organic Law of the People's Procuratorate, decision on the revision of the Organic Law of the People's Court, decision authorizing the state security organs to exercise the functions and powers of the public security organs to conduct investigation, detention, and pretrial and make arrest, and decision on severely punishing offenders who seriously jeopardize public security, approved at the 2d Meeting of the NPC Standing Committee in September 1983;

The decision on revising the law governing elections of the National People's Congress and local people's congresses and the organic law governing people's congresses and governments at various local levels, approved at the 18th meeting of the NPC Standing Committee in December 1986;

The supplementary regulations on penalties for smuggling and supplementary regulations on penalties for graft and bribery, approved at the 24th Meeting of the NPC Standing Committee in January 1988;

The decision to establish the Hainan Administrative District, made at the 2d Plenary Session of the NPC in May 1984;

The decision to establish maritime courts in coastal cities, made at the 8th Meeting of the NPC Standing Committee in November 1984;

The decision to designate the National Teachers Day on September 10 every year, approved at the 9th Meeting of the NPC Standing Committee in January 1985;

The decision authorizing the State Council to formulate temporary provisions and provisional regulations concerning economic reform and opening to the outside world, approved at the 3d Plenary Session of the NPC in April 1985;

The decision to issue identity cards to all Chinese citizens and the decision to establish the State Education Commission to replace the Education Ministry, approved at the 11th Meeting of the NPC Standing Committee in June 1986;

The decision to establish the Ministry of Supervision, approved at the 19th Meeting of the NPC Standing Committee in January 1987;

The decision authorizing the State Council to set up a preparatory group on the establishment of Hainan Province, approved by the 22d meeting of the NPC Standing Committee in September 1987;

The decision to accept Zhao Ziyang's resignation as premier and appoint Li Peng as acting premier, approved at the 23d Meeting of the NPC Standing Committee in November 1987.

The decision on China's entrance into the Interparliamentary Union and China's participation in the "Treaty on Principles Governing the Activities of States in the

Exploration and Use of Outer Space, Including the Moon and Other Celestial Bodies," approved at the 3d Plenary Meeting of the NPC Standing Committee in December 1983;

"The Joint Declaration on Hong Kong by the Governments of the People's Republic of China and the United Kingdom of Great Britain and Northern Ireland" and the establishment of the Committee for Drafting the Basic Law of the Hong Kong Special Administrative Region, approved at the 3d Plenary Session of the NPC in April 1985;

The decision on approving the International Telecommunications Convention and the decision on China's joining of the International Convention on Psychotropic Substances, approved at the 11th Meeting of the NPC Standing Committee in June 1985;

The decision on China's participation in the International Convention Concerning the Protection of World Cultural and Natural Heritage, approved at the 13th Meeting of the NPC Standing Committee in November 1985;

The regulations on diplomatic privileges and immunities, approved at the 17th Meeting of the NPC Standing Committee in September 1986;

The "Third Additional Proposal to the Constitution of the Universal Postal Union" signed by a Chinese Government delegation, approved at the 19th Meeting of the NPC Standing Committee in January 1987;

The Sino-Portuguese Joint Declaration on Macao and "Decision of the People's Republic of China on Exercising Criminal Jurisdiction Over Crimes Referred to in International Treaties Which China Has Signed or Entered Into," approved at the 21st meeting of the NPC Standing Committee in June 1987.

#### Topics for Discussion

HK250425 Hong Kong SOUTH CHINA MORNING  
POST in English 25 Mar 88 p 6

[By China editor David Chen: "Critical Point in Fulfilling Deng's Vision"]

[Text] When the curtain goes up in the Great Hall of the People this afternoon one thing is certain—the old guard who have dominated China's political scene for the past decade will almost certainly disappear.

There will be the laying down of a national policy of economic and political reforms which, it is hoped, will take China right into the 21st century and the presentation of an image that promises to be open and democratic, the like of which the People's Republic has not seen in its 39 years.

This congress will be important for another reason. Next year the People's Republic will celebrate its 40th anniversary and the nation's leaders, the incoming and outgoing, will have to show not only to the people of China but the world what China has accomplished in these four decades.

The congress will also be one of the longest (20 days in all) and one of the liveliest, with several major full sessions when 3,000 deputies will gather to hear and endorse or reject proposals by state leaders. There will be countless smaller gatherings where issues, both major and minor, will be debated.

It could also offer some surprises. For example, some prominent names may be dropped in the ballot for positions in the various parliamentary and State Council bodies. This is the first time that there are more names than positions.

The NPC is, in effect, an extension of another major congress—the 13th National Congress of the Chinese Communist Party in October.

In a sense, the new NPC is one that will conclude the business of that party congress. For although the wheels of change began early last year along a zigzag course in which several prominent leaders fell victim to the political developments of that spring, a realistic policy gradually evolved and the tone of China's future course was set by the newly elected party general-secretary, Mr Zhao Ziyang.

The keynote is economy and the keywords are reform and opening to the outside world—a policy to be put into practice by a government appointed by the country's new parliament.

Much has been made of the differences between two top leaders; party chief Zhao Ziyang and the new Government chief, Mr Li Peng.

Mr Zhao has been portrayed as more progressive and some would say, more aggressive and adventurous. Mr Li has been described as a more cautious leader in the school of such conservative planners as Mr Chen Yun and Mr Peng Zhen.

Such a perception is both simplistic and perhaps, dangerous. As one senior Chinese official recently stressed, the policy has been decided on after prolonged study, scrutiny and debate, some of it very heated. But it is nevertheless a policy that has been decided by all and it will be up to the talented younger leaders chosen at the current NPC to implement it.

"Chairman Mao Zedong was the one who mapped out the policies and Mr Chou Enlai, the Prime Minister, carried them out," said one senior Chinese official.

"Similarly, Mr Zhao has spelt out the policies for the nation in the decades to come and it would be for Mr Li to see that they be implemented."



Many would argue that such comparisons may not exactly fit the scenario but the principle behind the argument is there; the party lays down the policies—in consultation with the small democratic parties, it would appear—and the Government executes them.

Thus, when Mr Li, as acting Prime Minister, delivers the Work Report of the Government, it will not divert sharply from the path the Chinese Communist Party set in October.

Nevertheless, the report will differ in some ways from similar reports made annually by the Prime Minister. It marks the end of one congress and the beginning of another. Hence the report will assess the Government progress over the past five years and will draw up economic blueprints in accordance with party guidelines for the next five years.

The agenda will also be one of the longest. There will be the presentation of economic reports and the budget and members will discuss further legislation for economic reforms.

Like the first annual session of the Sixth NPC, the new session will also introduce some very special legislation. Five years ago as China and Britain were debating the future of Hong Kong, the NPC introduced to its Constitution a clause for the creation of special administration regions.

During the next three weeks, the deputies will discuss the creation of the new Hainan Province—a province full of hope and expectations to act as China's economic vanguard.

By the time the congress is over a new Standing Committee will be in motion, a new Government will take over and regional leaders will continue the task set out at October's party congress—to implement the reform policies aimed at improving the livelihood of the nation's billion inhabitants.

#### **To Legalize Private Economy**

HK250501 Beijing ZHONGGUO XINWEN SHE  
in Chinese 1119 GMT 20 Mar 88

["Roundup" by Guo Zhaojin (6753 2156 6855): "Development of Private Economy in China Will Gradually Come Into the Orbit of the Law"]

[Text] Beijing, 20 Mar (ZHONGGUO XINWEN SHE)—Although the current Chinese policy allows the existence and development of the private economy, this still lacks a legal foundation. This state of affairs will soon be changed. The First Session of the Seventh NPC will discuss the revision of the relevant article of the Constitution so as to affirm the legal position of the private economy.

On 28 February, the CPC Central Committee submitted a proposal to the NPC amending the relevant constitutional article, that is, to add to Article 11 the passage: "The state allows the existence and development of the private economy within the limits prescribed by law. The private economy is a complement to the socialist public economy. The state protects the legitimate rights and interests of the private economy, and guides and supervises the private economy by exercising administrative control."

The main content of Article 11 is to affirm the legal position of the individual economy of urban and rural working people.

When deliberating this proposal, the NPC Standing Committee generally agreed with it and decided to submit it to the First Session of the Seventh NPC. It is expected that this motion will be smoothly passed.

Then, the legal position of both the individual and private economies in China will be affirmed by the fundamental law of the nation.

In China, there are differences between the individual economy and the private economy, but there is also a sequential relationship between them. Ten years ago, the state began to allow the legal existence of the individual economy of working people on a long-term basis and protect their legitimate rights and interests. This gave rise to a large number of individual economic entities. In 1981, some individual economic entities with considerable financial capacity began to expand their business operation to a certain degree by increasing the employment of workers, and the number of workers hired by these individual economic entities exceeded the 7-person limit stipulated by the state. Such individual economic entities then gradually changed into private enterprises that included relations of wage labor.

In general, an economic entity which hires less than eight workers is regarded as an individual economic entity, while an economic entity which hires more than seven workers is called a private enterprise. According to this standard, by the end of last year, there were some 115,000 registered private enterprises in the whole country, and they hired a total of some 1.87 million workers, with an average of 10 to 20 workers in each such enterprise.

Ren Zhonglin, director of the State Industrial and Commercial Administration, estimates that in fact, the number of private enterprises is larger than the above-mentioned figure, because many of them are now operating as "collective enterprises."

Because the proprietors of these private enterprises hire labor, a certain part of their income is non-labor income. According to the traditional viewpoint, this part of income should be regarded as "exploitation," which is



incompatible with socialism. However, people have also seen the actual benefits of economic development brought about by the development of the private economy.

In recent years, people's opinions on the issue of hiring labor were widely different, but the state adopted a tolerant attitude toward the existence and development of the private economy. It was recently revealed that in 1982, Deng Xiaoping said that the private economy should be further "observed."

So the top CPC policy-makers observed the private economy for a number of years, and finally made a clear policy stipulation in a document earlier last year: "allowing its existence, strengthening the administrative control over it, developing its advantages and constraining its disadvantages, and give guidance step by step."

In his report to the 13th party congress, Zhao Ziyang further clearly pointed out: Other economic elements beyond the economy under the whole people's ownership are still not sufficiently developed rather than going too far. Zhao Ziyang also called for encouraging the development of the private economy, and formulating the policies and laws concerning the private economy.

The private enterprises in China remain in an embryonic stage. The number of private enterprises is not large, nor is their operation scale. They hire an average of 10 to 20 workers, and have less than 100,000 yuan of working capital. Only a very small number of private enterprises hire more than 100 workers and have more than 1 million yuan of funds. Their output value accounts for less than 1 percent of the national industrial output value.

With the legal position of the private economy being affirmed by the constitution, there will be a spring season of vigorous development for them.

People in the economic circles hold that the development of the private economy in China is of specially important significance. If the output value of private enterprises reaches 10 percent of the national industrial output value, then they will provide jobs for 36 million people, as the surplus labor force now in the countryside has reached 105 million.

The existence of private enterprises has also brought many problems, such as tax evasion, the employment of child laborers, and long work hours for the workers. People hold that the settlement of these problems depends on the enactment of a private enterprise law at an early date so that the state authorities can more effectively guide, supervise, and control such enterprises.

### Inflation May Spur Debates

HK250413 Hong Kong *SOUTH CHINA MORNING POST* in English 25 Mar 88 p 7

[Text] The sensitive topic of inflation will be one of the hottest issues debated in some of the closed-door meetings at the National People's Congress.

Deputies, reflecting people's sentiments, are expected to give Government officials a hard time during the full sessions and group discussions.

China is facing its most serious inflation since the founding of the People's Republic in 1949, a result of demand greatly exceeding supply, too much money being issued, misguided investment and irrational prices.

The seriousness of the inflation can be measured from price increases.

In November, the last month for which detailed figures are available, the price of fresh vegetables and meat in free markets nationwide had risen 29 per cent in a year, fish 27 percent and household goods 22 percent.

Increases in food prices have proved crucial because urban families spend 55 percent of their budgets on food. Despite some measures, food prices have continued to rise this year.

Acting Prime Minister Li Peng said stabilising prices was a top priority this year.

There have been conflicting media articles about whether his Government Work Report, to be released today, will address the problem of inflation.

One article said Mr Li would again stress the need for planned and systematic revamping of unreasonable pricing systems, particularly in agricultural side products, to compensate urban wage earners for food price increases.

He is expected to seek controls on demand while raising supply and to put a ceiling on crucial raw materials.

Mr Li may also put the blame for inflation on the previous administration under Mr Zhao Ziyang. He believes that the trend of over-ambition in economic work still exists and that causes of instability have not been overcome.

The Government faces a dilemma of either raising food prices and boosting production to encounter the wrath of 200 million city people, or to keep prices low and urban folk happy, but farmers discouraged and output low.

Some economists firmly oppose raising food prices and advocate protection for consumers with a new subsidy linked to the level of price increases.

China is also expected to attack inflation by cutting the amount of money being issued. Ms Chen Muhua, the president of the People's Bank of China, the nation's central bank, said this month it would cut printing of money by 20 percent this year.

Western diplomats estimate that the money supply has risen more than 20 percent a year over the past three years, helping to fuel inflation.

Ms Chen said credit shortages would be acute.

#### Deputies Bring Local Suggestions

OW240959 Beijing XINHUA in English 0833 GMT  
24 Mar 88

[Text] Beijing, March 24 (XINHUA)—Ordinary people place much hope for the First Session of the Seventh National People's Congress (NPC) which is to open tomorrow, local press reported today.

Today's "ECONOMIC DAILY" said that NPC deputies have collected opinions and suggestions from local voters to be conveyed to the session for discussion.

Wu Dulin, a farmer deputy from central China's Hubei Province, said his fellow villagers complained that grain production has become unprofitable since grain prices are low while prices for chemical fertilizers, plastic sheeting and pesticide are increasing substantially.

This complaint coincided with opinions of Shi Kexun, a farmer in Shaanxi Province in northwest China. Shi, also a NPC deputy, expressed his hope that better services and supplies of farming materials should be offered to farmers to stimulate their initiative to grow grain, the paper reported.

Wu Binrong, a director from a township enterprise in Danyang County, Jiangsu Province, called for preferential treatment and protection of village and township enterprises, some of which are suffering from price hikes of raw materials.

Workers in the Beijing General Machinery Plant said they hope the session will do something to solve the problem of price hikes, an issue with which Chinese citizens are most concerned, according to a report in today's "WORKERS' DAILY".

They said that the session should be fully covered by the press to keep people well-informed.

Chen Bingfu, a deputy from the Inner Mongolia Autonomous Region, said the underdeveloped regions such as Inner Mongolia should be given assistance for their economic development.

The 21-year-old worker spent four days collecting suggestions from 20 local units before coming to Beijing, the "ECONOMIC DAILY" reported.

#### Hong Kong Paper Comments

HK250435 Hong Kong SOUTH CHINA MORNING  
POST in English 25 Mar 88 p 7

[By Marlowe Hood in Beijing]

[Text] After an eight-year pregnancy and several false labours, the First Session of the Seventh National People's Congress will almost certainly give birth to legislation on state-owned industrial enterprises.

At the centre of the proposed legislation is the "factory director responsibility system", designed to make enterprise managers directly responsible for profits and losses.

Since the draft law was made public in January—after receiving the Politburo's stamp of approval—it has generated an unusually sharp debate in the Chinese press. Managers, workers, lawyers, economists and bureaucrats have all weighed in with comments in dozens of national and regional "discussion meetings".

About 1,800 formal suggestions have been submitted to the NPC Legal Affairs Commission over the past two months. The long-suffering law has gone through 10 drafts in the same period.

The result is several minor but significant revisions that could well weaken the power of managers to make independent, production-based decisions.

An analysis of the draft legislation and proposed revision and the comments of foreign economists suggest five troublesome areas:

(1) In his closing speech this week at the 2d Plenum of the 13th Party Congress, General-Secretary Zhao Ziyang said the new law should "separate ownership from managerial authority in state-run enterprises". Few disagree on the objective, but there remains a good deal of uncertainty whether the enterprise law is an adequate instrument to achieve it.

"Opinion still differs on the meaning of managerial power, the way of exerting state-ownership and most important, the practical method of separating the ownership and management of enterprises," said NPC Legal Affairs Commission Vice-Chairman Song Rufen in a recent statement. Foreign and Chinese economists point out the Government's functions as an owner and market regulator are still thoroughly intertwined and that the proposed law does adequately divide them.

The fact that enterprises, under the contract system, can negotiate not only the amount of profit to be turned over to the state but their tax rate as well suggests a confusion of these roles.

(2) Another grey area is the role of the Communist Party organisations in the work place. The draft law stipulates only that an enterprise's party secretary must "support" the factory director, clearly suggesting that all production-related decisions rest entirely with the manager.

A proposed revision, however, seems to give party functionaries a more specific mandate. It says "the organization of the Communist Party in enterprises guarantees and supervises the implementation of party and state policies."

A key debate in drafting the law had been whether the factory director was to manage "the whole enterprise" or simply "production and management". The revision favours the conservative approach, which argues that "supervision of the party represents the socialist nature of state-owned enterprises".

(3) Many factory directors have commented that the draft law does not adequately protect them from government interference. But despite the obvious need for what one manager calls "a more explicit definition of what constitutes encroachment on enterprise interests", no such revisions have been suggested so far.

A deputy manager of China's largest vehicle works, in Jilin Province, cited an example in a recent forum. When the Number One Automobile Plant put in an order for a sophisticated imported steel impress three years ago, the local government told them to source locally. The plant waited two years for a piece of equipment that doubled in price while they were waiting and then could not use it because of poor quality. "Who is responsible for the losses incurred?" he asked.

The draft law also stipulates that a manager can only hire and fire deputy managers and subordinate cadres with approval of "relevant authorities". Managerial clout is similarly checked on a number of points.

"Many factory directors complain that the draft law is too strict in stipulating their responsibilities and limits their powers and benefits," Mr Song said.

(4) If managers are uneasy about their relationship with the top, they are even more nervous in dealing with workers. Several revisions to the draft law nominally strengthen the position of workers, whose "rights and duties" are left largely undefined in the original.

Chinese leaders are haunted by the example of Solidarity, the spontaneous workers' uprising that swept Poland in the early 1980s. This well-grounded fear has thus far prevented them from taking the measures necessary to truly "break the iron rice bowl."

Factory managers are reluctant to assume responsibility for the success or failure of a larger enterprise knowing that they have very few levers with which to enforce worker discipline and to improve worker productivity. The state has been distributing carrots—primarily in the form of bonuses in cash and kind—but is clearly afraid to use the stick.

The draft law says a factory director has the right to "reward and punish workers in accordance with the law", but remains conspicuously vague on the crucial

point—can a worker be fired for poor performance? But even if this basic managerial right were spelled out, very few factory heads would dare to use it.

In a discussion meeting of city officials and enterprise leaders in Baoding, Heibei Province, a deputy head of the Light Industry Bureau reported that seven factory managers under his bureau had been seriously beaten or attacked by irate workers after adjusting wages. "If you raise everyone's wage, those who have worked hard are resentful. If you only raise their wage, those who don't work get mad," he said.

(5) Finally, several Chinese legal experts and managers have pointed out the draft law overlaps and in some cases, conflicts with an existing maze of party and government "regulations".

"The enterprise law may easily become a nominal one, with the old rules and regulations continuing to hold sway," cautions Yin Shijun, a deputy director of the Changchun Number One Automobile Plant. "That is, it would be hard to ensure the implementation of this law."

**Paper Discusses Differences Between Li, Zhao**  
*HK250415 Hong Kong HONGKONG STANDARD*  
*in English 25 Mar 88 p 6*

[“Li and Zhao Sing Different Tunes in the Same Opera”  
by Yau Shing-mu in Beijing]

[Text] Their objectives are the same but their priorities may not be. That is why Acting Premier Mr Li Peng may appear to be singing a different tune from Mr Zhao Ziyang when he delivers the keynote address to the Seventh National People's Congress today.

From what is known of Mr Li's speech, caution rather than conservatism will be the main departure from the lines laid down by party chief, Mr Zhao, at a meeting of the Central Committee last week.

Mr Zhao forecast "a sustained and relatively fast economic growth this year and for a number of years to come." He meant a galloping 10 percent or slightly more, based on the 11 percent average for the past five years.

Mr Li is expected to project an annual average of eight percent till 1992.

Both projections will meet targets set for the end of the century.

Mr Li is believed to have opted for a slower rate because the rapid growth of recent years has created economic and social problems.

Mr Zhao told the Central Committee that "if there is not a considerable growth, contradictions (or conflicts) will be more acute."

He also favoured using market forces to stimulate growth, maintain stability and control new problems. Mr Li agrees with using this "law of value" but apparently does not believe it should or can be used to such a great extent.

Mr Zhao gave a sense of urgency to the coastal development plan, even quoting paramount leader Mr Deng Xiaoping as saying that "in carrying out the coastal development strategy we must act boldly."

Mr Li doesn't come across so boldly. And the sense of urgency is missing.

Mr Zhao concentrated on six areas of development. Mr Li will review the past and preview the future, in the process covering military, foreign, social, cultural and educational affairs.

Mr Li's speech, of course, is still confidential and subject to last-minute revisions. But the draft has been circulated widely.

The character of the two men may also account for these variations on the same theme. Mr Zhao is outgoing, golf-playing, charismatic, Western in style. Mr Li is reticent and stays in the shadows. Mr Zhao, as party General Secretary, maps the blueprint; Mr Li, as premier, implements and reports on progress.

But unlike his predecessor, Mr Hu Yaobang, Mr Zhao is the chief architect of the entire reform programme. Mr Li contributes his bit, but he doesn't put it all together.

So Mr Zhao may appear somewhat more aggressive when it comes to matters of reform.



**Qiao Shi Report on Discipline Inspection Work**  
*OW250550 Beijing XINHUA Domestic Service*  
*in Chinese 1536 GMT 24 Mar 88*

[Text] Beijing, 24 Mar (XINHUA)—Title: Strive To Do a Good Job of Discipline Inspection by Implementing the Guidelines of the 13th CPC National Congress Earnestly

— Report by Comrade Qiao Shi at the Second Plenary Session of the Central Discipline Inspection Commission

Comrades:

Today we are holding the Second Plenary Session of the Central Discipline Inspection Commission. The central topic for discussion at this session is to study how to further implement the guidelines of the 13th CPC National Congress, do a good job of discipline inspection under the conditions of reform and opening to the outside world, and make the necessary arrangements for these purposes. This session was convened immediately after the 2d Plenary Session of the 13th CPC Central Committee. The 2d Plenary Session of the 13th CPC Central Committee was a great success. It examined, discussed, and approved the namelists of leading personnel of state organs to be recommended to the First Session of the Seventh NPC and leading personnel of the CPPCC National Committee to be recommended to the the Presidium of the First Session of the CPPCC National Committee. Moreover, it set forth important opinions on further implementing the guidelines set at the 13th CPC National Congress. It stressed the need to further emancipate the mind, stabilize the economy, deepen the reform, liberate to a still greater extent the productive forces in our country and, at the same time, strengthen the building of the party itself. We should study earnestly the documents of that session to improve our implementation of the guidelines of the 13th CPC National Congress in the process of our discipline inspection work.

**1. Enhance the Sense of Discipline in the Whole Party**  
[subhead]

The 13th CPC National Congress was an extremely important meeting in our party's history. As Comrade Deng Xiaoping pointed out, the 13th CPC National Congress further emancipated the mind of the party and the people and will further liberate our productive forces. The congress expounded on the theory of China's initial stage of socialism, advanced our party's basic line for building socialism with Chinese characteristics, and established the principles for economic construction and the reform of economic and political structures in the days to come. At the same time, it established the basic principle of strengthening party building in the course of reform and opening to the outside world, stressing that it is imperative to be strict with party members and to enforce rigorous party discipline.

Ours has always been a party with great ideals and strict discipline. Party discipline is a reliable guarantee for implementing the party's line, principles, and policies. It is also an effective weapon for maintaining the party's unity and unification as well as a major prerequisite for preserving the party's advanced nature and purity. It is particularly necessary to strengthen party discipline when there is a major change in our party's central task, in its ways of conducting activities, or in the social environment in which it exists. At the juncture of the important historical change on the eve of the nationwide victory of the new democratic revolution, the party Central Committee gave prominence to grasping party discipline and adopted a series of measures to strengthen and unify its discipline. At that time, Comrade Mao Zedong clearly pointed out: "With the advance of our Army, increase in production, and enhancement of our sense of discipline, the revolution is bound to triumph." Thus the enhancement of the sense of party discipline was put before the whole party as an overall concern, thereby guaranteeing effectively a great historical change that was accomplished smoothly by our party in a situation characterized by separated base areas, each fighting on its own, to a state where it led the political power in the whole nation. Since the 3d Plenary Session of the 11th CPC Central Committee, our party has entered a new period of historical development. Now, our party has more than 46 million members. It is leading a country of 1 billion people and undertaking the unprecedentedly great but arduous cause of reform, opening to the outside world, and socialist modernization. Under such new historical conditions, the question of enhancing the sense of party discipline, which the party Central Committee has raised repeatedly before the whole party, is of great, special importance.

At present, to enhance the sense of discipline is to demand that our party organizations at all levels and all our party members maintain a high degree of political unity with the line laid down at the 3d Plenary Session of the 11th CPC Central Committee, implement firmly the guidelines of the 13th CPC National Congress, carry out resolutely the party's basic line for the initial stage of socialism, and uphold the "one central task and two basic points." This is the basic demand that the party's political discipline has put on the party organizations at all levels and on all party members. Without strict discipline as a guarantee, our line cannot be implemented properly no matter how good it is. With a high degree of political unity in the party, a closely united organization, and diverse work methods, each with its own characteristics, we will be able to overcome various difficulties and continue to advance victoriously along the Marxist line that we have implemented since the 3d Plenary Session of the 11th CPC Central Committee.

To enhance the sense of discipline means to urge the broad masses of party members to bear firmly in mind at all times that they are Communist Party members, put demands on themselves according to the criteria for Communist Party members under all circumstances, and

use party discipline and state laws as the yardstick in dealing with everything. As a ruling party, we have experienced the tests of holding power for more than 30 years and will continue to stand such tests for a long time to come. In particular, since our party is currently leading the work of reform and opening to the outside world, we are also confronted with new rigorous tests in this respect. There is not the slightest doubt that reform and the open policy have added, and will continue to add, new vigor and vitality to our party building work. However, along with the expansion of the opening to the outside world and the invigoration of the commodity economy, there will be an increase in the corrosive effects and in the influence on our party ranks caused by decadent capitalist ideology and the vestiges of feudal ideas. The ugly phenomena that have disappeared from society may reappear like sediment floating up again, and they may corrode the healthy organism of our party. Under such circumstances, it is imperative to strengthen supervision inside and outside the party and tighten the restraints of party discipline so that the broad masses of party members will increase their capability to oppose corrosion, thus victoriously standing the tests of holding power, reform, and the open policy. Recently, Comrade Zhao Ziyang pointed out: Our economy should achieve prosperity, and party and government organs should perform their functions honestly. To do so, it is imperative to perfect the legal system and strengthen discipline.

Heightening the sense of discipline means that the vast number of party members should take the initiative in safeguarding and developing political stability and unity. Due to the replacement of the old system by a new one and readjustment of interests, as well as incomplete policies, an imperfect legal system, and inefficient management during the course of profound social changes, various types of lack of coordination, problems, and chaos are inevitable. In order to guide the whole society to forge ahead under such circumstances, our party must strengthen party discipline and uphold democratic centralism so that our party will continue to function as a political leading core that can rally all party members to work with one heart and one soul, and can powerfully strengthen all party organizations' fighting power in promoting what is good and suppressing what is bad.

Party discipline is a restrictive code of conduct to be followed consciously by party members. Of course, the specific requirements of this code of conduct will develop constantly according to the development of the restructuring of the economic and political systems. While it is wrong to stick to conventional rules, it is even worse to think that discipline can be ignored during the course of reforms and opening to the outside world. All comrades who have the courage to explore ways to build a socialist society with Chinese characteristics should integrate the spirit of bringing forth new ideas with a sense of discipline and implement the party's lines, principles, and policies firmly and creatively.

Since the 3d Plenary Session of the 11th CPC Central Committee, our party has adopted a series of important measures—including rectification of the party organizations—in order to strengthen party discipline, producing a fundamental change in the situation of the tumultuous decade during which party discipline was disregarded. However, a lack of discipline or lacking a strong sense of discipline are still quite common—and even quite serious in some cases—among many party members and organizations, including some leading organs. Thus as far as party organizations at various levels are concerned, heightening the concept of party discipline and strengthening discipline is a highly important, realistic issue. For the vast number of party members, particularly the considerably large numbers of new party members who have joined the party recently, it is imperative to study basic party knowledge earnestly and heighten party concepts. Under the new historical conditions, veteran comrades who have been members of the party for many years must also maintain and advance the fine tradition of observing party discipline in an exemplary manner. Only by doing this can the party keep pace with the new situation and the new mission of accelerating and deepening reforms in the wake of the 13th party congress.

## 2. We Must Concentrate Our Efforts To Supervise the Observance of Party Discipline [subhead]

The report of the 13th party congress points out: "Instead of handling legal and administrative cases, the party's discipline inspection commissions should focus their efforts on supervising party discipline and assist party committees in supervising the conduct of party members." Discipline inspection commissions at all levels must implement this guideline firmly, which is significant in separating the functions of party and administrative organs and strengthening and improving the party's discipline inspection so that they can keep pace with the new situation.

The party's discipline inspection during the new period must ensure the implementation of the party's basic lines, adhere to the four cardinal principles, and expedite reforms and opening up. Comrade Chen Yun pointed out: "All discipline inspection departments of the party must, through discipline inspection, ensure and promote the sound development of the restructuring of socialist economic and political systems." This important guideline must be more reflected fully in the work of discipline inspection organs at all levels. Discipline inspection must establish its footing on supporting and protecting reforms so as to expedite the sound development of reforms, opening up, and socialist modernization.

One of the basic tasks of the party's discipline inspection commission is to safeguard party regulations and laws. Discipline inspection organs should continue, in accordance with the party Constitution, to bring the following functions into full play: protecting party members' democratic rights from being infringed upon; punishing party members who violate party discipline and removing

degenerates from the party; supervising all party organizations, leading organs in particular, demonstrating how cadres should implement the party's line, principles, policies, and resolutions, and carrying out democratic centralism; and educating party members to observe discipline and law, fulfill obligations, develop the party's fine style, and increase their ability to resist corruption. This work in terms of protection, punishment, supervision, and education is the day-to-day work of discipline inspection organs. This must all be firmly grasped and done well.

To do discipline inspection work well, we must, in accordance with the party Constitution, conscientiously protect all democratic rights which party members should enjoy. This is a very important condition for protecting and developing democracy within the party and for guaranteeing that party members' enthusiasm, initiative, and creativity can be brought into full play. Along with carrying out the economic structural reform in depth and developing the political structural reform, strengthening the democratic life within the party and protecting party members' democratic rights will be of even greater significance. It must be reiterated that whoever infringes upon a party member's democratic rights is violating the party's discipline and should be dealt with seriously. All discipline inspection commissions must regard the protection of and support for party members' correctly exercising their democratic rights as an important task each day included on their daily agenda, and must seriously fulfill this task well. Even when dealing with comrades who have committed errors, we should also protect their democratic rights, in line with the party Constitution, while handling their errors seriously. We must never neglect their democratic rights.

Investigating and handling discipline violations seriously is the central link of maintaining strict party discipline. In investigating and handling discipline violations, we must adopt the system of responsibility at different levels in line with cadres' limits of authority over management so that cadres at each level can manage those at the lower levels. Currently, in investigating and handling cases, we should pay special attention to the following aspects: abusing one's functions and powers to seek personal gain, infringing upon the masses' interests, practicing serious bureaucratism, living in luxury and squandering the property of the state and collectives, sabotaging the party's democratic centralism, and infringing upon party members' democratic rights. We should remove resolutely from the party those degenerates who abuse power by use of blackmail, who accept graft, who embezzle state funds, who sell state interests, or who seriously violate other laws and discipline. We must never be kind-hearted to them or tolerate them. In investigating and handling discipline violations, we must act resolutely in accordance with party discipline and law, dare to withstand intercession, allow no interference whatsoever, and see to it that all party members are equal before the party Constitution and discipline.

We must investigate and affix the responsibility for conniving at or shielding discipline violations within the party. Comrade Deng Xiaoping has pointed out: "Nobody can violate the party Constitution and party discipline. Whoever violates them must receive disciplinary punishment. Nobody is allowed to interfere with taking disciplinary action. No one who violates discipline is allowed to go scot-free." We must further emancipate our minds while doing discipline inspection work, and encourage the vast number of party members and masses to supervise discipline inspection work. In the process of placing a case on file, investigating the case, trying it, and taking disciplinary action, we must be motivated by a desire to be highly responsible to the party and to the person concerned, and do our work solemnly and seriously. We must handle conscientiously the question of discipline violations informed about and exposed by the masses. We must handle them seriously according to party discipline if what the masses say proves true through investigation. We must clarify it in time if it proves untrue.

Over the years, central and local discipline inspection commissions have accumulated a great deal of good experiences while handling cases of a lack of discipline. Thanks to upholding the principle of seeking truth from facts, relying on factual evidence, accurately determining the nature of the cases, and taking all the proper and necessary procedures, their way of handling cases has been reliable and can stand the test of history. In order to standardize discipline inspection step-by-step, based on investigations and studies and the experiences gained by all regions and departments, we are ready to draw up discipline inspection regulations and standards so that there will be proper disciplinary procedures and criteria.

After the separation of party and administrative affairs, discipline inspection organs, judicial organs, and administrative and supervisory organs must divide their work clearly and carry out their respective responsibilities. At the same time, they must also take the initiative to coordinate their work. They should, while carrying out their respective responsibilities, strive to explore and sum up experiences so as to streamline their mutual relations.

### 3. We Should Improve Party Conduct During the New Historical Period [subhead]

Comrade Chen Yun has pointed out repeatedly that the issue of a ruling party's conduct is an issue that bears closely on the party's survival. We should approach the issue of party conduct and improve party conduct from such a level.

An important task of party inspection commissions is to assist party committees in supervising party conduct. Last December, the Secretariat of the CPC Central Committee sponsored two meetings on party conduct. It was pointed out at the meetings that the issue of party conduct should be analyzed scientifically, and that party conduct should be improved through carrying out



reforms, institutional improvement, and efficient management of party affairs. This is an important guideline for helping discipline inspection commissions to do their work.

Our party always attaches great importance to improving party conduct. The three good traditions—integrating theory with practice, maintaining close ties with the masses, and carrying out criticism and self-criticism—were established during the protracted course of revolutionary struggles. Under the new historical conditions following the convocation of the 3d Plenary Session of the 11th CPC Central Committee, our party has restored these three traditions and has also developed them in many respects. Adhering to the Marxist ideological line and seeking truth from facts, our party has summed up scientifically the experiences it has gained since the founding of the Republic, respected the masses' practical experiences and initiatives, and drawn up the lines, principles, and policies for building a socialist society with Chinese characteristics. Its work receives the support of the people because it is in the fundamental interest of the vast number of people and expedites the development of the productive forces. The party has made progress in the endeavor to achieve a lively political situation gradually where there is centralism and democracy, discipline and freedom, and unity of will and individual ease of mind. Serving the people actively and honestly, the majority of party members have displayed a high spirit of doing practical work and great initiative during the course of material and spiritual construction. During the course of reforms and opening to the outside world in recent years, a large number of outstanding party members whose minds are emancipated, who are courageous in exploring new ideas, who perform the work honestly, and who pay no attention to personal gain have come to the fore. Many exemplary party members who have lofty ideals, who fight heroically, who take the interests of other people ahead of their own, and who fear no sacrifice have also emerged in the struggle to defend the motherland, provide emergency assistance during disasters, maintain national unity, and safeguard social stability and unity. These are the basic aspects of the conduct of our party members.

However, we must also realize soberly that there are indeed some party members, including some leading party member-cadres, who have failed to stand the tests of reforms and opening up. Some have abused their authority and public office for personal interests; some have gone after ostentation and extravagance, thus wasting a lot of resources; some have resorted to deception, reporting only what is nice to hear; some have performed their duties perfunctorily, neglecting their responsibilities; some have established their personal relations, using only those who are related to them; some have suppressed democracy, seeking vengeance and retaliation; and some have even engaged in extortion, soliciting bribes, embezzlement, theft, and other types of immorality. All this has jeopardized the interests of the state, collectives, and the masses, interfering with reform and

opening up, and tarnished the party's image. We must pay adequate attention to these problems about which the masses have greatly complained. Comrade Deng Xiaoping stressed over 2 years ago: "We have been doing very well with our economic construction. The situation is gratifying. This is our country's success. However, if the public conduct continues to deteriorate, what is the sense of economic success? It will degenerate in another areas, and then it will degenerate the whole economy. If this trend is allowed to develop unchecked, the world will become one of corruption, theft, and bribery." Instead of approaching this issue casually, we must deal with it with effective measures.

To improve party conduct, we must depend on accelerating and deepening reforms and on establishing and perfecting all systems so as to eliminate the hotbed that generates irregularities; on the other hand, we must depend on managing party affairs strictly and enforcing party discipline. These two requirements must be closely integrated so that they will help spur each other forward. The second plenary session [of the 13th CPC Central Committee] has made arrangements and drawn up plans for improving party conduct through institutional improvement. The establishment of a system governing state functionaries, the formulation and implementation of the "Enterprise Law," and reform of the housing system are several examples. These measures are conducive to preventing and combating irregularities. With regard to managing party affairs strictly, the second plenary session has also put forward important views and measures.

As for managing party affairs strictly, in addition to enforcing party discipline and firmly ridding the party of the degenerative elements, we should attach great importance to intensifying party education and improving party members' proficiency. We must clearly understand that, during the initial stage of socialism, the standards and requirements set for party members shall never be lowered or slackened. Communist Party members must earnestly fulfill the obligations prescribed in the party Constitution. In the meantime, it must be stressed that they must devote themselves to public work selflessly, seek no personal gain, maintain close ties with the masses, and serve the people wholeheartedly. They must emancipate their minds, be brave in exploring new ideas, and dedicate themselves to reforms and opening up. They must work hard, perform their duties honestly, and engage in national construction and all other undertakings diligently and thriftily. They must uphold principles, be impartial and upright, and combat firmly all sorts of lawlessness and indiscipline.

Improving party conduct is a responsibility of the whole party, and leadership is essential. In accordance with the requirements set by the second plenary session, party committees at all levels must include improvement of party conduct on their agenda of important affairs and charge all party members—those on the top as well as those at the grass roots level—to improve their conduct



earnestly and persistently. Leading cadres must set an example in disciplining themselves and take the lead in observing the "party Constitution" and "Guiding Principles for Inner-Party Political Life." They must be willing to accept the masses' supervision and welcome their views and suggestions. They themselves must be able to accomplish whatever they want their subordinates to accomplish. Only when they can do this can they combat and [word indistinct] all irregularities justifiably and openly and lead the whole party to improve party conduct.

Discipline inspection organs must, under party committees' centralized leadership, render their support to the work of intensifying party members' education. They should commend the advanced individuals and units which have exemplarily observed party discipline and combated lawlessness and indiscipline courageously. To heighten party members' sense of discipline, they should use typical cases to carry out education about party discipline. Meanwhile, they should assist party committees in perfecting the supervisory system within the party. Based on the situation, the higher discipline inspection commissions should send personnel to the lower party organizations to attend their democratic activities. A local discipline inspection commission's supervision over a party committee of the same level is primarily one of supervising its performance in implementing the party's lines, principles, policies, and democratic centralism, as well as the ideological state and work style of party members and leading cadres.

Improvement of party conduct is a protracted and formidable task which requires persistent and untiring efforts on the part of all party members. The work of combating irregularities must go through the entire process of reforms and opening to the outside world. All regions and departments must solve whatever problems they have in accordance with their actual situation. They should, on the basis of conducting investigations and studies, set aside a specific period of time to deal with trends that have seriously harmful effects and then concentrate their efforts on solving problems. Improvement of party conduct should be a persistent and routine operation, and not something that should not accomplished by means of campaigns or shock actions.

#### 4. We Should Build Stronger Discipline Inspection Contingents by Displaying the Spirit of Reform [subhead]

Generally speaking, our discipline inspection personnel are proficient. Despite all sorts of problems, they have worked hard and accomplished a great deal of work, contributing substantially to party construction. However, we must also realize that some comrades are unable to keep pace with the new development and new requirements in terms of their thinking, understanding of policies, and work methods. We must therefore take effective measures to constantly improve these comrades'

proficiency so that we can build a contingent of personnel who firmly adhere to the party lines, who work impartially, who are capable, and who have the trust of the vast number of party members and people.

In light of the actual situation, discipline inspection cadres should make profound efforts to study well the documents of the 13th CPC National Congress and the 2d Plenary Session of the 13th CPC Central Committee. Discipline inspection commissions at all levels should encourage and make arrangements for discipline inspection cadres to conduct investigations and studies on the forefront, where the reform and open policy is being implemented in full force, so they can familiarize themselves with the new things, understand correctly the economic and political situation, further emancipate their minds, lift up spirits, and bolster their confidence in doing a good job of discipline inspection. When pondering a question, we should first determine whether the matter will help develop the productive forces. This is also a fundamental criterion for evaluating our work in all fields. If discipline inspection cadres understand fully and master conscientiously this fundamental criterion, they will be able to uphold the principle of party spirit while implementing the current policies; support enthusiastically comrades who dare to reform and explore; and help sincerely and patiently those comrades who have made mistakes due to lack of experience in reform to sum up their lessons and to encourage them to move ahead. They should handle mercilessly and sternly those who undermine reform and opening to the outside world and violate laws and discipline. Continued efforts should be made to train discipline inspection cadres. Besides earnestly studying well the basic Marxist theories and the line, principles, and policies since the 3d Plenary Session of the 11th CPC Central Committee, it is also necessary to acquire some knowledge about economic management, law, science, and culture. Discipline inspection cadres should be given the reins and encouraged to undergo tempering in grass-roots units and practice, broaden their vision, enrich experience, and improve their skills.

Structural reform of the discipline inspection organs should be successfully carried out. An important task in building a contingent of discipline inspection workers is to develop a set of establishments and positions. We should earnestly attend to this work. In order to meet the need for separating party and administrative functions and for structural reform, it is necessary to gradually abolish the discipline inspection groups stationed by the central and local discipline inspection organs in all government agencies and concerned departments of the state. Meanwhile, we should augment appropriately the staff of discipline inspection commissions of organs concerned as well as local discipline inspection commissions. In the course of structural readjustment, discipline inspection organs at all levels should conduct ideological work successfully among cadres, and coordinate with organization and personnel departments in making proper arrangements for the individuals concerned.

Leadership style and work methods should be improved, and efforts should be made to deepen the study of the policies and theories related to discipline inspection. The Central Discipline Inspection Commission and the provincial, autonomous regional, and municipal discipline inspection commissions should exercise more effective leadership and guidance over subordinate discipline inspection commissions in matters related to principles and policies as well as other major questions, and strive constantly to conduct discipline inspection work with greater foresight and in a more scientific manner.

Discipline inspection commissions of the party are important assistants of party committees at all levels in strengthening party building and ensuring the development of a good party style. Party committees at all levels should strengthen leadership over discipline inspection, discuss related work regularly, and show concern for the training of discipline inspection workers. We should take care of discipline inspection cadres in political treatment and working and living conditions. In particular, discipline inspection cadres should be given assistance in overcoming the difficulties and removing the obstacles they encounter in handling cases. Party committees should provide necessary protection and support for discipline inspection cadres who are subject to attacks for handling cases with impartiality.

Discipline inspection organs derive their authority from upholding principles and enforcing discipline with impartiality. In carrying out their work, discipline inspection organs and cadres at all levels should go after the truth, cast aside all considerations of face, persist in handling cases according to principles, and not be afraid of offending other people. They should strive to win the trust of the whole party by showing courage in seeking truth, a down-to-earth work style, political integrity, and diligence.

Dear comrades, discipline inspection in the new period is an arduous task and entails great responsibilities. We believe that, under the leadership of the party Central Committee and party committees at all levels, with the support of the broad masses of people, and through reliance on the efforts of all discipline inspection cadres, we will overcome difficulties, raise the standard of discipline inspection work to a new high, and make fresh contributions to strengthening party building and to building socialism with Chinese characteristics in the course of reform and opening to the outside world.

This concludes my report today. I am submitting it to you for deliberation. This meeting also issues the Main Points on Discipline Inspection Work in 1988 (Draft) for your discussion. Please offer your valuable opinions.

**Commentator Stresses Discipline Inspection**  
HK241442 Beijing RENMIN JIAO in Chinese  
23 Mar 88 p 1

[Commentator's article: "Discipline Inspection Must Serve the Basic Party Line"]

[Text] After earnestly studying the problem of how to do discipline inspection properly in the context of the reforms and pursuit of the opening up policy, and making the appropriate arrangements, the Second Plenary Session of the Central Discipline Inspection Commission ended yesterday. The central topic for discussion at the plenary session was how to do discipline inspection work properly in the context of the reforms and pursuit of the opening up policy. This has great significance for further implementing the spirit of the 13th CPC Party Congress in the party's future discipline inspection and the principle that we should be strict with the party. In addition it also has great significance in that it can help us to serve the party's basic line more satisfactorily.

It was pointed out at the 13th Party Congress that it is necessary to make sure that the party's line is implemented throughout in the new period. Discipline inspection is an important aspect of party building. It is necessary to serve the basic party line by adhering to the principle of "one nucleus and two basic points," concentrating on party discipline, and helping party committees maintain a good party style.

Party discipline is one thing that can guarantee that the party's line will be implemented and a powerful weapon for upholding party unity. Party discipline and discipline inspection come with the existence of the party. A basic party line compatible with the country's circumstances and supported by the people was introduced at the 13th Party Congress. To make sure that this line is smoothly implemented and to fulfill the important historical task of directing the country's socialist modernization, it is necessary to strengthen party discipline with a view toward upholding inner-party solidarity and unity.

The country's central economic task is to concentrate its energy on developing its productive forces. This is an important aspect of the party's line during the initial stage of socialism. When considering all problems we should start from the question of whether or not we can facilitate the development of productive forces. In addition, the question is also the basic criterion in accordance with which we inspect all work. All this also applies to discipline inspection. Discipline inspection organs and cadres responsible for discipline inspection should hold firm to this criterion; try their best to perform their "protective, punitive, supervisory, and educational" duties successfully; make efforts to overcome the negative things in the party; and facilitate the development of productive forces. We should focus our attention on protecting the people's fundamental interests while considering problems and going about our work. Reform and the pursuit of the opening up policy are our overall principle and overall policy. In the course of the reforms and opening the country to the world, new situations and new problems will emerge. Some of these situations and problems could be completely new to us and we may not have the relevant experience to rely on.

Some of these situations and problems may keep changing and show no pattern. The question of whether we can smoothly carry out reforms and open the country to the world depends on whether we can properly handle these problems. We are thus required to further emancipate our thinking and conceive new ideas. We cannot solve new problems by sticking to old practices. It is necessary to properly combine efforts to promote the reforms and pursuit of the opening up policy with the strict enforcement of party discipline, to eliminate one-sidedness and, in particular, to handle the relationship between the enforcement of discipline and the implementation of the current policy in a proper way. Discipline inspection organs should protect whatever is permitted by the policy. In the event that there are people who try to wreck the reforms and violate discipline and laws, they should resolutely subject these people to discipline. If they find it difficult to determine whether or not something is a matter of policy, they should adopt a cautious attitude and conduct investigations. There is no need to handle things hurriedly.

To maintain the party's progressive character and purity and to implement its line, in discipline inspection it is necessary to implement the principle that we should be strict with the party. This was reiterated at the 13th Party Congress. The party has been in power for 39 years and as such it has stood tests. Practice tells us that the majority of party members can stand these tests. However, there are indeed a few party members who fail to correctly use their power. They simply want to use their status as members of the ruling party to seek personal gain and they are unwilling to fulfill their obligations as party members. Some of them have even violated discipline and laws and developed into pests and degenerates infesting socialist construction. The ruling party as a whole has not yet seen its last test. So long as it remains the ruling party it will continue to face tests. Of particular importance is the fact that our party is now directing the great cause of carrying out reforms and opening the country to the world in the face of a grim new test. Party organizations at all levels should, in the course of the reforms and opening the country to the world, teach party members to remember that they are party members. The reforms and the pursuit of the opening up policy can radically enhance our anti-corrosion power. However, they also facilitate the influx of the rotten ideas of the exploiting class. Hideous things eradicated in the past may reappear again. Under such circumstances we should remain sober-headed and resolutely build the two civilizations simultaneously. The economy should be made prosperous, government organs should be free from corruption, and cadres should be honest and above board. The further the reforms and the pursuit of the opening up policy develop the greater is the need to strictly enforce discipline. Discipline inspection organs should, under the unified leadership of party committees, focus their attention on the grass roots and the actual circumstances, and make unremitting efforts to

expose and handle those among us who have violated discipline and laws in various ways, and try their best to eradicate all kinds of corrupt practices.

The initial stage of socialism is quite a long historical stage. During this stage, social productive forces are still not well developed, the socialist economic system is still far from perfect, economic and cultural conditions are still not ripe for introducing highly democratic socialist politics, vestiges of feudal ideas, decadent capitalist ideas, and the force of habit of small producers are still influencing many people in society and are corroding the party's ranks. To eradicate these decadent, backward, and unhealthy things, it is necessary to make unremitting long-term efforts. Thus, the party's discipline inspection should run through the whole course of the initial stage of socialism and must be constantly improved and strengthened. Only by doing this can we more satisfactorily serve the basic party line.

**Intellectuals Deny Conservative-Reformist Split**  
*HK250545 Hong Kong TA KUNG PAO in English*  
24-30 Mar 88 p 16

[Text] A speech on the prospects of reforms on China's political and economic systems and the flourishing literary scene drew warm response from a packed audience in Hong Kong on 17 March.

The two speakers—Mr Yan Jiaqi, director of the Institute of Politics of the Chinese Academy of Social Sciences and Mr Liu Xinwu, chief editor of People's Literature—were invited to give a speech on the occasion of the 40th anniversary of TA KUNG PAO's resumption of publication in Hong Kong.

Their hour-long speech was followed by a host of questions from the floor. On the controversial topic of whether there are conservative and reformist camps in China, both Yan and Liu denied the existence of such a division.

Inside the CCP, Yan said, it is normal for leaders holding different opinions. If everyone holds the identical view, the Party will be lifeless.

The CCP allows the airing of different opinions when making decisions, which are finalized in compliance with a consensus of the majority.

Since different opinions do arise in the course of decisionmaking, this may have led the Hong Kong media to think that there is a division of reformists and conservatives.

Yan emphasized, however, that no matter which party it is, leaders or members holding diverse views should obey their party's final decision.

Yan disagreed with the belief that anything which deviates from the old track is reform. This does not help the prestige of the reform, he added.



Some people promote change from selfish motives. This is indeed a problem in the reform. He believed that new crisis may occur one day if the problems are neglected.

Yan strongly believes that China's reform should be safeguarded by the rule of law, not the rule of individuals. Though the present legal system is not perfect, it can be rectified, he said.

A host of problems must be solved before China can achieve prosperity. But copying the Western modes is definitely not the answer to our conditions, he said.

For his part, Liu believed that reformist and conservative ideas exist in everyone's mind. Some tend to favour traditions while others tend to believe Westernization is more important or a mix of both. It is extremely difficult to draw a line of demarcation.

But Liu said that he believed the trend of favouring old traditions and being apprehensive of the reform and opening up is *more* harmful to China.

His greatest fear is neither reformists nor conservatives, but seekers of personal interest who pretend they are conservatives when something happens to the reforms or claim they are advocates of reform when change is in order.

"It is this kind of people who are the most hateful ones. It is a flattery to brand them either as reformists or conservatives. These can ruin China and that is why we must wage a determined struggle against them," Liu said in conclusion.

#### Give Speeches on Reform

HK250547 Hong Kong TA KUNG PAO in English  
24-30 Mar 88 p 2

["The Past Week" column]

[Text] For a taste of what is on the mind of progressive Chinese intellectuals of the younger generation, a unique dish was served by two spokesmen from the mainland here in Hong Kong last week.

Mr Yan Jiaqi is currently director of Beijing's Institute of Political Science attached to the prestigious Academy of Social Science. Mr Liu Xinwu is editor-in-chief of China's leading literary journal, PEOPLE'S LITERATURE.

Both are here among a dozen or so distinguished guests of the parent newspaper of this weekly, the TA KUNG PAO which celebrated the 40th anniversary of the resumption of its publication in Hong Kong on 15 March.

Addressing their speeches to the local media circles and academics, Yan and Liu underscored China's reform and the open-door policy from the respective fields in which they are eminently engaged.

#### To Err Is Human [subhead]

Actually, Yan developed his speech from the time-honoured adage that to err is only human. It is interesting to note the way he articulated this theme and if we keep in mind the context of the Chinese sociopolitical conditions:

—Chinese are too strict with themselves when addressing an audience as if they are allowed to speak nothing but the absolute truth. This leaves one with only two options: either he refrain from making a speech at all owing to his limitations, or simply repeat what has been acknowledged to be the truth. Both block the search for truth and the path of progress.

—China has a very long history. However, despite the differences of the political systems of the various dynasties, they were all built on the foundation of the 'perfect man'. Whenever the Chinese society is faced with serious problems, the only salvation that springs to people's mind is the arrival of a perfect leader and by dint of his genius and moral force, change the status quo... This concept was shaken to its foundations by the catastrophic Cultural Revolution.

—History abounds in examples of a country correcting its mistakes either by resorting to violence or by just waiting for an erroneous leader to die. In either case, democracy is turned into a sham. This mistake of the Cultural Revolution had to wait until the death of Mao Zedong to be rectified. This is why it was such a tragedy.

—Just as one is sometimes obliged to obey wrong decisions of majority vote in a democratic institution, so is the concept of the rule of law based on the recognition that no one is perfect. Until such mistakes in a democratic system are corrected by due process, which takes time, the minority must be very patient and tolerant, even if it has the right to express its differing views.

Tan concedes as do China's present leaders that the country's fledgling legal system is far from perfect. But he goes further to point out that the prevailing rule of man has yet to be basically eradicated.

The multitude of legal blank sheets means that many decisions have to be made by those in power up and down the Chinese hierarchy. But in the absence of clearly defined terms of reference with respect to their powers of duties, decisions clash if not overlap in many instances even at the expense of violating existing laws and regulations.

The confusion dampens the sense of responsibility of the lower-ranking officials who, by their right and obligation, should be in a position to make independent decisions.

Meanwhile, the inertia of officials to wait for the go-ahead from higher authorities on large and small matters have developed to be a national syndrome.



In short, the theme of human nature, particularly, its weaknesses, runs through his political thinking.

Yan's keen awareness of the deficiencies of human nature no doubt springs from his equally keen awareness of serious deficiencies of the socialist system, which, according to the latest Chinese theoretical expositions, is still in its rudimentary phase. The notion that it will take at least a hundred years for China to develop into a more advanced form of socialism indicates that the task at hand, which includes furnishing better education for the world's biggest population, will be a long and rigorous one.

**Is the Central Kingdom in the Centre? [subhead]**

In tandem with the novelty of Yan's political view, the main concern of Liu's speech was the open-door policy. In fact, the novelist cum editor of the country's most prestigious literary journal believes that if one had to choose between the reform and the open door, it is the latter that should take precedence.

To illustrate his strong feelings about the open-door policy, Liu, the first author of a genre which later came to be known as 'literature of the wounded', related his experience of visiting Romania in 1977, the same year he produced his most famous short story, 'The Class Supervisor'. He came across a map of the world on this trip which had the Atlantic Ocean down in the middle. China was on the far right side of the map and America was on the left. The map was very different from all the world maps he had ever seen before, but Liu had to admit that it was nonetheless a perfectly good map of the world.

Although Liu made no attempt to explain the inference of this simple experience, there was no mistakes about its message that it was the open-door that made many Chinese intellectuals realize that China need not always be in the centre of things. There can be other ways of looking at this planet of ours which are just as valid as a map with China in the centre.

Liu also spoke of the multitude of literary or pseudo-literary publications one finds in small bookstores or on book stall in Chinese cities. He believes, however, that one should not get excited just because there are books that are the best things next to outright sex or violence literature. Other writings are scorned upon for being rough hewn or for being neither foreign nor Chinese in the way they are done.

The country is in the process of a profound transformation and change, Liu argues. Many of the published works are like women of the old China who, at the dawn of this century, began to unbind their feet. While the unbound foot was certainly better than the 'three-inch' pointed thing it was before, it had unfortunately become deformed and, therefore, cannot compare with a healthy natural foot. No one is saying that the deformed, although unbound foot is beautiful, but it would certainly be wrong to make a mockery of them.

Here is another way of looking at the extremely complex and sometimes depressing picture of literature in China in terms of the quality of output.

**State Media Office Issues Regulations**  
*OW250622 Beijing XINHUA Domestic Service*  
*in Chinese 1234 GMT 22 Mar 88*

[Text] Beijing, 22 Mar (XINHUA)—The State Media and Publications Office and the State Administration for Industry and Commerce jointly signed and issued recently the "Provisional Regulations for Newspapers, Periodicals, and Publishing Houses Engaged in Paid Services and Business Activities."

The aim of "the provisional regulations" is to strengthen supervision of news and publications units in order to help them soundly develop paid services and engage in business activities. In the understanding that newspapers, periodicals, and publishing houses will publish good newspapers, periodicals, and good books, the regulations aim to increase their economic strength and help promote the development of the newspaper, periodical, and publishing industry as a whole.

"The provisional regulations" point out: Newspapers, periodicals, and publishing houses, taking into account the relevant regulations and their own conditions and putting into play their advantages in possessing a well-connected network, information, personnel, technology, knowledge, and equipment, may branch out into paid services and other business activities that are permitted by state policies and related to their field of activity.

"The provisional regulations" lay down specific rules on the scope of operational activities in which newspapers, periodicals, and publishing houses may engage. They may run an advertising business. They may provide paid consultation services to society by making use of their information on economy, science and technology, education, law, public health, and daily life. They may sponsor such activities as cultural exchanges or literature and art activities. They may, together with enterprises or concerned departments, jointly hold news briefings and meetings to disseminate information. They may hold technological exchange and promotion activities. They may provide society with paid services such as photography, duplicating, photo-copying, photo-processing, and plate-making operations. They may set up readers service departments. They may sponsor lectures, training classes, and other cultural activities such as running correspondence schools.

"The provisional regulations" also stipulate: Newspapers and periodicals may, after getting approval from the appropriate department, and incorporating their own needs and those of society, run economic entities (for example: paper-making plants and printing plants). Companies and enterprises run by newspapers and periodicals shall not engage in purely commercial activities that are not related to their field of activity.

"The provisional regulations" stress: Operational departments shall be responsible for operational activities of newspapers, periodicals, and publishing houses. Editors and reporters may provide information, but are forbidden to ask for personal remuneration for the information provided. They are also not allowed to take part in operational activities.

"The provisional regulations" call on newspapers, periodicals, and publishing houses to persist in correct operational orientation, abide by the state's regulations and policies, and follow financial and economic discipline when engaging in business activities.

"The provisional regulations" come into effect on 1 April.

**RENMIN RIBAO on Leading Cadres' Honesty**  
*HK240457 Beijing RENMIN RIBAO in Chinese*  
20 Mar 88 p 4

[Article by Zhong Jiwen (6988 4949 2429): "Leading Cadres Must be Honest in Performing Their Official Duties"]

[Text] Since the implementation of the policy of reform and opening up to the world, China has made great progress in its economic construction, which is gradually embarking on a road of healthy and stable development. The people's livelihood has markedly improved. This fact has proved that reforms and opening up to the world have brought new vitality to our socialist modernization. However, the influence of the decadent bourgeois and feudal ideologies on the ranks of cadres is increasing following the expansion of the work of opening up to the world and the development of the commodity economy. Some party members and cadres fall on their knees before money, use public office for private gain, put profit before everything else, and line their pockets with public funds. Some party and government organs abuse their powers for their own benefit. All this has aroused strong dissatisfaction among the masses. Some party and government organs and leading cadres are not honest in performing their official duties, and this has become a prominent problem. This problem has not been thoroughly resolved. Whether we have the courage to resolve this problem has important bearings on whether we can improve and strengthen party leadership and on whether reforms and opening up to the world can continue to proceed in a healthy way.

To consolidate their political power, all political regimes in China and foreign countries, in modern and ancient times, have required their officials to be honest in their official duties. Corruption, embezzlement, and degeneration are generally the direct cause of the collapse of a political regime. In history, some ruling classes did much work to encourage their officials to be honest in performing their official duties, and there were also emperors and officials who practiced economy and were proof against corruption. Fundamentally speaking, they did so

for the good of their own classes. The Communist Party is the political representative of the most advanced class in human history. It has no special interests to pursue for itself apart from seeking interests for the working people. This determines that our party and government organs must serve the people heart and soul. Our party members and cadres are servants of the people. They should have the breadth of vision characterized by "being the first to bear hardships and the last to enjoy comforts." This is the minimum demand for a Communist Party member. Over the past 39 years since the founding of the PRC, we have inherited and developed the fine traditions and style of the party, used the weapon of criticism and self-criticism to improve socialist democracy and the legal system, relied on mass supervision, and waged a continuous struggle against extravagance, waste, corruption, and degeneration. We have made certain achievements in this respect.

For a proletarian political party, being honest in official duties is a problem involving the relationship between the party and the masses. During revolutionary war years, the hard struggle between the enemy and ourselves required that we should share weal and woe with the masses; separation from the masses might lead to the danger of being killed, and the party might not be able to live for a moment. During those years, our party members were honest in performing their official duties and formed a flesh-and-blood relationship with the masses. The exciting deeds they performed are still fresh in the memory of many people. Prior to the victory in the revolution, Comrade Mao Zedong repeatedly emphasized the necessity of taking precautions against the attack of sugar-coated bullets, to guard against rashness and arrogance, to remain modest, and to maintain the style of hard struggle. During the post-liberation days our party changed the corrupt and degenerated style of the old KMT [Kuomintang] government and established political power under which the people became masters of the country. Our party and government were honest in performing their official duties, and they enjoyed the support of the people. Subsequently, however, a small number of party members and cadres began to forget modesty and prudence and to divorce themselves from the masses. The reasons are not far to seek. 1) A great change took place in the objective conditions and environment after the party assumed office. The phenomenon of being divorced from the masses was not so directly visible as it had been during the war years. Some comrades forgot the interests of the people and began to pursue personal comforts after entering the cities and becoming officials. Others even forgot that they were servants of the people, used the powers entrusted to them by the people to do whatever they liked, and contended with the people for profit, thus seriously harming the interests of the people. 2) Following the implementation of the policy of reforms and opening up to the world, fresh air has come to the country, as have flies and mosquitoes. Under such circumstances, some party members and cadres, seriously influenced by the ideas of the exploiting classes, put money above everything else,

resort to extortion and corruption, and accept bribes, thus seriously undermining the image of the party and putting themselves on the opposite side of the people. 3) In the course of reforms and opening up to the world, in order to invigorate the economy and reduce redundant links, some leading cadres have more flexibility in using their powers. In addition to this, we still lack a perfect supervisory system. In such cases, some party members and cadres avail themselves of loopholes in reforms and economic activities for personal gain, thus seriously harming the socialist cause.

Our party is the loyal representative of the people's interests. When the masses want to know whether the party is working in their interests, they judge by the line, policies, and principles the party is pursuing; they will take a more direct look at whether party members and cadres are honest in performing their official duties and whether they put the interests of the masses above everything else in whatever they do. In this sense, whether party and government organs are honest in performing their official duties has a direct impact on the reputation of the party and the government and plays a decisive role in maintaining a close relationship between the party and the masses. This is also an issue of major importance in the building of party style.

The key to bringing about economic prosperity and encouraging party and government organs to act honestly in their official duties lies in leading organs. The party has 2,000 or so high-level cadres who hold important posts in party and government organs. They play an exemplary vanguard role in the building of party style. What they do and say can produce major impacts on the entire party and society. Comrade Deng Xiaoping said: "If high-level leading cadres cannot set a good example for others, this will produce a major impact. Malpractices are now very serious, and rectification should start with leading cadres. The masses are keeping a close watch on them. If they are corrected, matters at the lower levels will be easily resolved." Medium- and low-level leading cadres are directly responsible to the party and government organs under their leadership. As they are in close connection with the masses, the masses know very well whether they are honest in performing their official duties. Their ideas, work, and life style have a direct impact on the image of the party. Therefore, they are required to devote their efforts to the public selflessly, to take the lead in performing their official duties honestly, to resolutely resist and fight the practices of abusing power for personal gain, using public money for feasts and sightseeing, and going in for ostentation, extravagance, corruption, and embezzlement. Leading cadres in charge of public money, public property, and personnel play an important role in supervising whether party and government organs are honest in performing their official duties. If they do well in their work, they will help build a good party style; if they do not do well, they will possibly become a breakthrough point for corruption. Thus, comrades in charge of public money, public property, and personnel are required to perform their public

duties honestly. They should set strict demands on themselves and not take advantage of their posts to accept bribes or seek personal gain. Otherwise, it is possible that they will ruin the party's good tradition of being honest in performing its official duties.

We are not saying that dishonesty in performing official duties is very serious among leading cadres, but that it will produce a major impact on the overall situation. We should take precautions against this. Without a sober understanding and effective measures to resolve this problem, corruption will spread and continue to produce corrosive influence on leading cadres and the general mood of society. If this happens, what is the meaning of developing the economy?

To encourage leading cadres to maintain the fine tradition of being honest in performing official duties, close attention should be paid to the education and management of party members. Party members, and party-member leading cadres in particular, should be educated so that they will bear in mind the aim of serving the people heart and soul, maintain the fine tradition of forming close ties with the masses, consciously resist the corrosive influence of the ideology of the exploiting classes, and remain communists in the entire course of reforms and opening up to the world. Efforts should be made to formulate rules and regulations to gradually reduce the soil and conditions that help foster corruption. It is necessary to exercise strict management over the party and to strictly enforce discipline. Strict rules and regulations should be formulated for party members working in party and government organs, and in particular for party members assuming important leading posts, so that they can be put under the supervision of party organizations and the masses. Party members who abuse their power for personal gain and violate law and discipline must be seriously handled and severely punished. Those involved in extortion, corruption, embezzlement, smuggling, and the betrayal of state interests must be expelled from the party to maintain the party's purity and advanced nature, and they should be dealt with according to law.

"A review of the nation's past experience suggests that success comes from diligence and failure comes from extravagance." Under the new historical conditions, to enable the party to withstand the test of being a party in power and of reforms and opening up to the world and to fulfill the great historical mission of building socialism with Chinese characteristics, it is necessary to maintain the fine tradition of hard struggle and being honest in performing official duties so that our party will always keep its vitality and vigor and our party members will remain social servants enjoying the trust of the masses.

**Appropriations for Central State Organs Cut**  
OW240049 Beijing XINHUA Domestic Service  
in Chinese 0847 GMT 23 Mar 88

[By reporter Xu Kehong and correspondent Ren Weidong]



[Text] Beijing, 23 Mar (XINHUA)—It was learned from departments concerned that, based on last year's curtailment of administrative expenditures, the part of public funds used for administrative expenditure in central government offices will be reduced by 20 percent this year.

Chang Jie, deputy secretary general of the State Council said at a meeting held today that central government offices must resolutely implement the "Emergency Circular on Exercising Strict Control Over the Purchasing Power of Social Groups and Curtailing Expenditures," issued by the State Council; and foster the concept of tightening their belts. They must examine and check carefully whatever involves spending, and exercise strict control. They must play an exemplary role in developing the campaign to increase production, practice economy, raise revenues, and reduce expenditure.

It is understood that the central government offices had scored remarkable achievements in reducing administrative outlays during 1987. As seen in implementing the 1987 state budget, there was an 8.7 percent surplus in administrative expenditure, which was already 10 percent less than 1986. As a part of this expenditure, expenses for convening meetings, travelling and transportation expenses had dropped immensely. In order to reduce expenditure in convening meetings, all units had adopted effective measures. More than 20 units had set up rules and regulations to reduce the number of meetings or hold meetings on a smaller scale. They had shortened the duration of the meetings, while taking measures to save travelling expenses. Compared with 1986, expenses for convening meetings and traveling expenses in 1987 dropped by 27.6 percent and 6.4 percent respectively.

Remarkable achievements had also been scored in controlling the purchasing power of social groups. In 1987, various units regarded control of the purchasing power of social groups as an important measure in reducing expenditures. They not only succeeded in controlling merchandise classified as controlled, but also learned a great deal about the production and marketing of non-controlled merchandise. Especially, various government offices exercised strict control over the number of automobiles to be replaced, thus saving the state a considerable amount of money and reducing the expenditure in central government offices by 14 percent compared with 1986.

Chang Jie pointed out: Currently, development of the campaign to increase production, practice economy, raise revenues, and reduce expenditure in various central government offices is still unbalanced. Particularly, problems remain in the field of ideology and workstyle. Some comrades indulge in extravagance and waste, love to buy expensive things, spend money wastefully, and go in for ostentation. All this merits our attention. To combat the trend to extravagance and waste and promote frugality is not only an economic issue, but also a political one. Our central government offices are part of

the people's government. They must practice frugality. They should not indulge in extravagance and waste. Nor should they be permitted to do so.

### **Zhao Ziyang Discusses Military Reforms**

HK240115 Hong Kong WEN WEI PO in Chinese  
24 Mar 88 p 1

[Dispatch from WEN WEI PO reporters group: "Zhao Ziyang Speaks on Army Reforms"]

[Text] Beijing, 23 Mar—Zhao Ziyang made an important speech at a recent military conference. According to informed sources, his speech covered 10 major topics, including reforming the military setup and readjusting the line on Army building.

1. Three regulations will be effected in the armed forces, dealing with ranks, officers, and the civilian post system. According to our information, military ranks may consist of 10 grades: Second lieutenant, lieutenant, captain, major, lieutenant colonel, colonel, senior colonel, major general, lieutenant general, and colonel general. There is no rank of marshal. According to some reports, some people proposed that Deng Xiaoping be made a marshal, but he declined.

It has been confirmed at a high level in the Army that if there are no special changes, the military rank system will be revived on 1 October, National Day, this year. Awards of medals will take place on 1 August, Army Day.

The regulation regarding military officers includes age limits for officers of armies, divisions, brigades, regiments, and so on, and also systematizes powers and responsibilities.

These regulations have been discussed at great length and were only recently firmed up.

2. On the question of the strategic thinking of the armed forces, Zhao Ziyang said that instead of the previous concepts of people's war and so on, the modernization of the armed forces should be regarded as the core and military training as the focal point.

3. Regarding the development orientation of the armed forces, military work should be integrated with production and the Army should nourish itself. Zhao Ziyang put forward some ideas regarding labor for the armed forces.

4. Reforms will be carried out in the logistics and supply system. Zhao Ziyang proposed that there should be unified supply arrangements for the Army, Navy, and Air Force, to avoid the present waste of manpower and money.

5. Gradual improvements should be effected in military equipment, especially in the Navy and Air Force. China has quite a number of group armies, and their equipment too will be gradually improved.



6. The number of armed forces personnel has already been reduced by 1 million, and it would not be suitable to reduce them further. However, further streamlining is needed in armed forces academies and schools, and ranks and grades there should be readjusted.

Apart from this, Zhao Ziyang also discussed the questions of reforming the Army's political and ideological work, grasping the building of the grass roots, reforming education and training, and the enlarged meeting of the Central Military Commission. He asked the sectors concerned to study the above points and put forward suggestions to be discussed at an enlarged meeting of the Central Military Commission.

According to our information, an enlarged meeting of the Central Military Commission will be convened in the second half of this year to further firm up Army building and reforms.

**Compulsory Military Service Fees Discussed**  
*HK240813 Beijing JIEFANGJUN BAO in Chinese*  
*1 Mar 88 p 1*

[Article by reporters Huang Yuncheng (7806 6663 2052) and Chen Xingeng (7115 2956 5087): "A Measure To Step Up Education in National Defense for the Whole People—Investigation of the Implementation of the System of Levying a Compulsory Military Service Charge in Yongjia County"]

[Text] An Essential Measure [subhead]

The levy of a compulsory military service charge on young people old enough to join the Army is a reform measure adopted by Yongjia County to resolve the difficulties in conscription.

The county leaders hold that the levy of a compulsory military charge system has been implemented in compliance with the needs of the development of the situation. In the wake of the development of the commodity economy, some young people old enough to join the Army in certain economically developed areas are unwilling to be recruited into the Army; poor areas in which economic development is relatively slow have often sent more young people to join the Army and have been responsible for more allowances for the family members of the compulsory servicemen and revolutionary martyrs, and this has also affected their enthusiasm for joining the Army. Likewise, it is also unreasonable that in cities and towns, factories and enterprises that have sent more young people to join the Army are responsible for more of these allowances, while factories and enterprises that have not sent young people to join the Army are not responsible for these allowances. To resolve this contradiction, it is necessary on the one hand to rely on education in the concept of national defense which strikes roots in the hearts of the people and on the other to formulate rational and feasible policies, laws, and regulations.

Yongjia County is one of the five poor counties of Zhejiang Province and its economic foundation is relatively weak. Prior to 1984, of the 59 townships (towns) throughout the county, 49 relied on the county's financial support, and half of the village cadres could not be issued subsidies for loss of working time. Certain difficulties were, therefore, brought about to the implementation of the policy of the allowances for the family members of the rural compulsory servicemen and revolutionary martyrs. According to preliminary statistics, more than two-thirds of the rural areas throughout the county cannot implement this policy, and seven of the nine townships in Sichuan District cannot implement this policy, either. In 1985 and 1986, Yongjia County first carried out the pilot levy of a compulsory military charge project in three district-level units, including Sichuan, Bilian, and Luofu. Having gained successful experience, the county sent down a document in June 1987, deciding to implement the levy throughout the county. In September, the county government and county people's Armed Forces Department jointly sent down a document, formulating detailed regulations on the issues of the objects, criteria, time, and method of the levy of charges and the management of the funds. The levy work was then completed the same month.

Relevant Regulations and Matters That Warrant Attention [subhead]

1. Objects of levy: Young men, 18-20 years old, who are old enough to join the Army.

2. Criteria for the levy: Different criteria are set according to the situation in the economic development in different areas. The general principle is that the charge must be fixed within 5 percent or so of the local per capita income a year. If the charge is high, the masses' burdens will be aggravated; if the charge is low, it will be insufficient to defray the allowances. In the light of the situation in the masses' income in Yongjia, it is provided that a charge of 10-30 yuan or so will be imposed on each person a year. Young men who are old enough to join the Army of the majority of the townships (towns) must each pay 10 yuan; each person of Jiangbei township, which is relatively rich, must be levied a charge of 30 yuan; each person of urban registered permanent residence and of those who are responsible for their own rations in Shangtang town must be levied a charge of 20 yuan.

3. Time of collection of the charge: It is stipulated that the task of collecting the charge is to be completed in more than a week's time in September. Investigation of those to be recruited must be generally conducted in September; after completion of the levy, conscription must begin in October.

4. Method of collection of the charge: 1) Each young man old enough to join the Army (relatives of those who are absent from home may pay the charge on their behalf) is required to go to the military service registration station of his township (town) in the specified time to register

and to pay the compulsory military service charge. 2) Township (town) cadres must be divided up and go to the villages to collect the charge.

5. Management and use of funds: Regarding these funds, we must strictly ensure that special funds are used for special purposes and that the order of priority and importance is to be adhered to. We must first guarantee that the allowances are paid to the family members of compulsory servicemen and revolutionary martyrs. Second, we must spend the funds on medical examinations of people to be recruited. The remaining funds are to be used as subsidies for the loss of working time for militia training. As for the management of the funds, it is stipulated that a township (town) must keep accounts in a unified way, the director of a township (town) People's Armed Forces Department must be responsible for the specific use of the funds, and the township (town) leader must be responsible for examination and approval. All cash must be deposited with a bank or credit cooperative. The number of people to be recruited must be determined in proportion to the population. Townships (towns) that are unable to complete their tasks of recruitment as specified must allocate their allowances for the family members of compulsory servicemen and revolutionary martyrs (according to the local criteria for the allowances) to the townships (towns) that have completed their tasks above their quotas.

#### Rationality, Feasibility; Many Benefits [subhead]

Our country's Constitution expressly provides: "Performing military service according to the law...is a glorious obligation of PRC citizens." It is the fulfillment of an obligation that a small number of people serve in the Army. It is also a citizen's bound duty that the majority of people who do not serve in the Army undertake to pay some money that is to be spent as allowances for the family members of compulsory servicemen and revolutionary martyrs. However, according to the relevant regulations, in the past, the township (town) governments were equally responsible for the allowances for family members of rural compulsory servicemen and revolutionary martyrs and they usually raised the funds in three forms: Apportionment according to the number of people, number of households, and number of mu of farmland. In doing so, demobilized and retired servicemen, retired cadres, and cadres transferred to civilian work had a differing opinion and held that they had fulfilled their obligation of serving in the Army; old and disabled personnel held that as they had to rely on other people to take care of their livelihood, it seemed that they should not be asked to give money; and the masses in the rural areas had complaints about the cadres of the organs, the personnel of the enterprises and institutions, and the comrades of registered permanent urban residence. They held that the latter should also be obliged to serve in the Army. Now, the compulsory military service charge is levied on all young men old enough to join the Army throughout the county. The cadres and the masses universally hold that it is more rational than an average apportionment.

This system has been universally accepted by the young men old enough to join the Army. The collection work has been carried out very smoothly throughout the county. Village cadres took only 2 hours to complete the collection of the compulsory military service charge from 43 young men old enough to join the Army in Baoao Village, Lixi Township, Yantan District. It took only 3 days to collect the charges in the townships, including Pankeng and Lixi. This shows that the masses support this work.

Three years' practice proves that there are many benefits in implementing this system. 1) The citizens' concept of national defense and patriotic enthusiasm are strengthened. 2) There is a guarantee for the funds for the implementation of the policy of allowances for the family members of compulsory military servicemen and revolutionary martyrs. In 1987, all allowances were paid at one time to the members of 593 families of rural compulsory servicemen throughout the county. 3) The system of military service registration is put on a sound basis. The comprehensive effect produced by these benefits will stimulate the enthusiasm of the young men to be recruited. Last year, the majority of some 2,300 young men old enough to join the Army in the county who had gone to other places returned in good time to have the medical examination after receiving the notice. A "craze for joining the Army" is emerging in areas in which conscription was difficult in the past.

#### PLA Paratroopers Receive Upgraded Equipment OW241007 Beijing XINHUA in English 0839 GMT 24 Mar 88

[Text] Beijing, March 23 (XINHUA)—All parachutes used by the airborne force of the Chinese People's Liberation Army (PLA) are now made in China and have developed from a single to various types.

An officer at the Airborne Force Institute said here today that various types of supplementary equipment used by paratroops have been developed rapidly.

He said that in the initial period of the force's establishment all parachutes were imported. Later, China developed four types of parachutes.

In addition, the institute has invented a paratrooper's knife with 12 functions.

Also, a new type of container net has greatly facilitated air drops.

#### Book Reveals 'Secrets' of Tibetan Army HK231537 Beijing JIEFANGJUN BAO in Chinese 22 Feb 88 p 1

[Report by Liu Lihua (0491 0536 5478) and Liao Li (1675 4539): "Secrets of the Tibetan Army Revealed"]

[Text] Lhasa, 21 Feb (JIEFANGJUN BAO)—The secrets of the Tibetan Army have now been revealed. Through efforts over the past year or so, the Political

Department of the Tibetan Military District has completed the collation of historical data about the uprising and surrender of the Tibetan Army and its reorganization task, filling the gaps in China's study of the history of the Tibetan Army.

The Tibetan Army was a local armed unit set up by General Fu Kang An, duke of Jia Yong, of the Qing Dynasty [qing jia yong gong fu kang an da jiang jun 3237 0857 0516 0361 4395 1660 1344 1129 1412 6511], together with the Eighth Dalai Lama, the Seventh Banchen Erdini, and so forth in 1792, with the approval of Emperor Qian Long. After its establishment, the Tibetan Army rendered meritorious service in joining forces with the Qing Army to resist the invasion by India, British imperialism, and so forth, consolidating the southwestern border defenses of the motherland and upholding territorial integrity. However, due to historical reasons, relevant historical data about the Tibetan Army has not been put into a special collection. The real historical deeds of the Tibetan Army have only been known by very few people. This, coupled with the relatively complicated political affairs of Tibet, has caused the serious dispersal, loss, or destruction of historical data about the Tibetan Army. Over the past year or so, historical data comprising more than 3 million Chinese characters has been collected and compiled into the work "The Rise and Surrender of the Tibetan Army" by the Political Department of the Tibetan Military District after visiting more than 40 relevant units, more than 200 Tibetan officers and soldiers who joined the uprising and surrender, and 18 army leaders. The book portrays faithfully and objectively the whole process of the PLA liberating Tibet peacefully and causing the uprising and surrender of the Tibetan Army; reflects the mighty power of the party's national united front work; and reveals secrets never before known about the establishment, stationing, organization, equipment, development, and other aspects of the Tibetan Army. It also tells about control over Tibetan political and military affairs by the Chinese Qing government and the KMT [Kuomintang] government, proving through the subordination of the Army that Tibet is an inseparable part of China.

#### **Price Reform Does Not Mean Price Freeze**

OW241019 Beijing XINHUA in English 0845 GMT  
24 Mar 88

[Text] Beijing, March 24 (XINHUA)—Price stability does not mean a freeze on prices, the "ECONOMIC DAILY" said today in a front-page commentary that urged people to support current price reforms.

The government aims to bring the general level of prices under control but that doesn't mean the price of every commodity should remain unchanged, it said.

Those who think "stabilizing prices equals price freeze" are under a misapprehension based on tradition-bound expectations of the Chinese people that social and economic situations may be judged by price fluctuations.

An opinion poll last year indicated that about half of the urban dwellers believed the price situation had deteriorated and said this misunderstanding has added another psychological obstacle to the price reform.

Prices were unprecedentedly stable for more than 30 years after the founding of the People's Republic in 1949.

From 1952 to 1983, the national retail price index increased at a pace of 1.1 percent each year; from 1966 to 1978 prices were completely frozen.

But this didn't benefit either the economy or people's lives, the paper said. On the contrary, it seriously hampered the development of productive forces.

Supply shortages became a chronic problem. Coupons were common and goods such as television sets and refrigerators were seldom seen.

"We have no way out but to bravely continue the reforms including the price reform," the paper stressed.

During the reform, unreasonable prices will be adjusted, indiscriminate price hikes will be checked, and subsidies will be offered to residents.

#### **Inspection Offices Combat Price Violations**

OW250301 Beijing XINHUA in English 1558 GMT  
24 Mar 88

[Text] Beijing, March 24 (XINHUA)—Price inspection offices throughout China handled 667,000 cases of price irregularities last year, double the figure for 1986, an official at the State Administration of Commodity Prices announced today.

They gained a total of 950 million yuan (about 257 million U.S. dollars) in confiscations and fines, also double the figure for the previous year.

Major cases involving more than 10,000 yuan each numbered 10,000.

Price violations affected means of industrial and agricultural production, consumer goods and noncommodity items, the official said, adding most of the serious cases involved prices for production materials while 79 percent of the total cases involved consumer goods prices and service fees.

#### **Foreign Trade Structural Reform Viewed**

HK240553 Beijing ZHONGGUO XINWEN SHE  
in Chinese 0800 GMT 21 Mar 88

["Roundup by reporter Dai Yaping (2071 0068 1627): "How Will China Conduct Foreign Trade Structural Reform This Year?"]

[Text] Beijing, 21 Mar (ZHONGGUO XINWEN SHE)—At the beginning of the year of the dragon, senior Chinese leaders said that China will carry out structural



reforms in various fields, including planning, investment, material distribution, finance, foreign trade, and housing. Now, about one-quarter of the year will soon be past, and the plans for reforms of the housing and foreign trade structures have basically been worked out. They will probably be carried out before the other plans in this year's overall reform.

Judging from General Secretary Zhao Ziyang's remarks on the development of Shanghai, Zhejiang, Jiangsu, and Fujian some months ago, reform of China's foreign trade structure is an extremely urgent task at present. China's existing foreign trade structure, which was established when the country was closed to the outside world, is unsuitable to the new situation China is being faced with and the fast changing international market, in which there is competition everywhere.

A fact not to be ignored: Some 80 percent of the hard currency needed by China in order to purchase advanced equipment and technology from the international market is obtained from its export trade. Zhao Ziyang once said that China's ability to earn foreign exchange through export decides, to a great extent, the range and degree of its opening up and the scope and progress of its internal economic construction.

Another fact should also be faced squarely. It has been predicted by some experts that after 1990, China will be faced with its first debt peak. It will have to pay a total of several billion U.S. dollars of principal and interest a year. If we do not pay sufficient attention to this situation, China's foreign debts may go beyond the "security line" and we will be unable to make ends meet, just like many debtor countries.

In 1987, China's export volume reached \$39.5 billion, growing at a rate of 27.8 percent, which was much higher than in previous years. From this growth, we can easily feel the influence of reform. Last year, although reform was just an exploration, its influence was greater than the achievements it made.

Being urged by the economic development, the import of technology, and the thirst for foreign exchange, we are no longer allowed to "hesitate at the very beginning" of foreign trade structural reform. The planned foreign trade structural reform will soon be carried out on a large scale and under the guidance of the new concepts of "assuming sole responsibility for one's own profits and losses, carrying out open management, combining industry with trade, and implementing the agency system."

The plan for reform shows that the reform will be based on assuming sole responsibility for one's own profits and losses and carrying out open management. All provinces, municipalities, and autonomous regions will accept the power transferred from the central government and contract for economic targets with the central authorities. It has been learned that Guangdong Province will contract for an export volume of \$5-6 billion and Jiangsu

and Zhejiang Provinces will contract for \$3-4 billion. As an encouragement measure, the decision-making power of the provinces contracting for export volumes will be appropriately extended.

The first step of the reform is aimed at assuming sole responsibility for one's own profits and losses, the experimental reforms in the three spheres of light industry, textiles, and arts and crafts, which started in 1987, will be continued. In a certain sense, this experiment will become a precursor of the overall reform in the future. After the powers of management and sale are transferred to the lower levels, the companies specializing in import and export and the industrial and trade companies will also effectively perform their functions, raise their efficiency, and strengthen their ability to compete in the international market. After the reform is carried out, the functions of the Ministry of Foreign Economic Relations and Trade will also be fundamentally changed. The ministry, which will be divorced from direct management, will take the study of development strategy, formulation of regulations and policies, and carrying out macroeconomic regulation as its basic jobs. This will also be the first step in separating government from enterprise administration in the blueprint of the structural reform of the state.

Sources here said that after reform of the foreign trade structure, China's foreign trade will be invigorated and its ability to deal with sudden changes will be increased. At the same time, illegal import and export goods and competition by means of cutting down prices will also be reduced. Since this reform oversteps the scope of reforms in the planning, financial, monetary, and foreign exchange fields, the possible obstructions and restricting factors it will encounter cannot be neglected. It is learned that some guilds of importers and exporters, foreign exchange accommodation centers, and offices of special representatives will be established by various provinces, municipalities, and autonomous regions and some measures will be adopted in order to suit the new structure.

The idea of foreign trade structural reform was put forth by Zhao Ziyang at the Beidaihe meeting in 1986. Now, the plan for this reform is finally worked out after repeated deliberations of the central authorities and various foreign trade companies and with the approval of various provincial governors. The foreign trade and export volume of the 1st month of this year shows that it is a very good beginning. According to a conservative estimate, the average daily export volume will reach more than \$100 million this year. If based on the growth rate of last year, the annual export volume may even reach \$50 billion.

**Daily Discusses Ownership, Management Power**  
*HK240259 Beijing GUANGMING RIBAO in Chinese*  
20 Feb 88 p 3

[Article by He Wei (0149 0251): "On Property Ownership and Enterprise Management Power"]

[Text] The focus of the current economic structural reform is to further improve the operational mechanism of enterprises. Separating ownership from management power in enterprises owned by the whole people is not to intensify property ownership, but to consolidate management power. In other words, only by weakening property ownership is it possible to intensify the management power of enterprises, and then to improve the management mechanism. However, the intensifying and weakening have much elasticity. Therefore, we must examine the degree of the intensifying and weakening in the process of separating ownership from management power to show the degree of intensifying and weakening and the process of their development.

Only by Totally Separating the Functions of the Government From Those of Enterprises Is It Possible To Further Separate Ownership From Management Power [subhead]

The key to invigorating enterprises lies in further separating ownership from management power, in intensifying management power of enterprises, and in weakening property ownership. To meet this need, we must first separate the functions of the government from those of the enterprises. The core of the integration of the functions of the government and enterprises is that governments at all levels perform the duties of owners of production means and assume the task for fulfilling various plans. As the owners must be responsible for the public property and want to increase its value, they will interfere with the operation and management of the enterprises. In order to fulfill various production tasks, we must ensure the supply of raw materials and funds and make preparations in other aspects. As this duty and obligation will be performed by many units, there will be multiple leadership and interference by various sides. Some people may use administration privileges to conduct management, so enterprises will be at a loss as to what to do. "Much administration interference" means the intensifying of ownership and weakening of management power. As a result, the manager has limited power, the enterprise runs a high risk, and enterprise management has become difficult. Only by separating the functions of the government from those of enterprises and by adopting drastic measures to deal with the situation is it possible to weaken ownership and intensify management power of enterprises.

Only by Establishing Trust and Investment Banks Is It Possible To Totally Separate the Functions of the Government From Those of Enterprises [subhead]

To further improve the contracted-management-responsibility system and lease responsibility system, some people suggest that the central authorities establish a state-owned assets management department at the central level and relevant administration organs at various levels to replace the duties of owners previously performed by government organs at all levels. This is a step forward from multiple leadership in the past, but an assets management department is still a government

organ and its subordinate units, as contractors and lessees, are still subordinate to enterprises. In order to perform their duties as owners, to protect public property from being infringed upon, and to gain economic results, assets management departments will inevitably interfere with business management of enterprises. Therefore, establishing state-owned assets management organs cannot weaken property ownership, but only change the "administration intervenor."

To separate the functions of the government totally from those of enterprises, it is necessary to entrust organizations and organs that have the characteristics of an enterprise to replace government organs in performing functions of an owner of state-owned assets. Units of this kind should be organizations like trust and investment banks. The state first entrusts trust and investment banks to check the assets of enterprises administered by governments at all levels, to check accounts of all enterprises, to verify assets, to revalue and register the assets, and to open new accounts for state investment. In reopening accounts, it is necessary to distinguish state-owned property from property owned by local governments, to reduce obstruction in transferring the management power to trust and investment banks. The tasks of trust and investment banks are: To protect public property from being infringed upon and to continuously increase its value; to sign contracts with contractors and lessees on behalf of the owners and to supervise the execution of the contracts; and to collect profit and rentals and submit them to the owners by proportion. Contracted enterprises must gradually separate profit from tax and must submit profit to trust and investment banks and tax to the government. Trust and investment banks perform the duties of owners entrusted by the state; these duties are not their own functions. As trust and investment banks do not assume the functions of government organs, they cannot use the privileges of the government to interfere with the business operation of enterprises and can only play a role of merely distributing the income of enterprises in accordance with the contracts signed by the two parties and under the condition that rights and obligations are equal. By separating ownership from management power on the premise of totally separating the functions of the government from those of enterprises, we can easily intensify enterprises' management power and weaken their property ownership.

Only by Turning Investment Into Loans Is It Possible To Combine Ownership and Management Power Into One Within Enterprises [subhead]

Trust and investment banks perform the duties of an owner on behalf of the state; they are not enterprises in the real sense. As the ownership of an enterprise is divorced from the enterprise itself, the enterprise cannot truly assume sole responsibility for its own profits and losses. Only by turning the investment made by the state and local authorities in enterprises into saving deposits in trust and investment banks, treating enterprises' funds

as loans granted by trust and investment banks, and using interest payment to replace the profit submitted to the state, is it possible to change the relationship between trust and investment banks and the state from an agent relationship into the relationship between a debtor and a creditor and to change the relationship between trust and investment banks and enterprises from a relationship between owner and operator into a relationship between loaner and loanee. Only thus, can the two parties treat each other equally, can all enterprises have some conditions in the source of their funds, and can all enterprises have equal opportunities in market. If we achieve this, it can be said that the functions of the government have been separated from those of the government, and enterprises can assume sole responsibility for their profits and losses. The state will not suffer loss when an enterprise goes bankrupt; the trust and investment bank will bear the responsibility.

Under the circumstance that their funds come from loans granted by trust and investment banks, enterprises not only are allowed but also should be encouraged to repay loans granted by trust and investment banks by raising funds in such ways as issuing shares and engaging in joint operation. This not only indicates that the enterprises are well operated, but also can increase the state's revenue and accelerate the circulation of funds. Only when an enterprise repays bank loans can the ownership and management power of the enterprise be integrated and can the enterprise truly become a commodity producer and operator that assumes sole responsibility for its profits and losses. After ownership and management power are integrated, enterprises can lease and contract for one another, mutually become shareholders, and combine with one another, thus promoting the upgrading of various production elements and rational readjustment of the production structure. Only then can we say that the functions of the government are totally separated from those of enterprises, ownership is no longer divorced from enterprises, and ownership and management power are combined as one within enterprises. This will further improve and strengthen the operational mechanism of enterprises.

Only by Separating Ownership From Management Power Within an Enterprise Is It Possible To Better Strengthen the Operational Mechanism of the Enterprise [subhead]

A problem that goes with the combination of ownership and management power within an enterprise is that as the manager has ownership, the enterprise will lack factors that can restrict one another and the conduct of the enterprise may deviate. Managers, after all, cannot represent owners, so the enterprises may have poor ownership and nobody will assume responsibility. Therefore, all enterprises of public ownership must establish boards of directors (or management committees) in such ways as employment, election, and appointment. The boards of directors are owners of enterprises in law, we must establish a legal entity ownership system,

and a legal entity must be responsible for all assets of the enterprise. The duties of the legal entity ownership are: 1) To protect the public property of an enterprise from being infringed upon and to continuously increase its value; 2) to decide an enterprise's management strategies and policies; and 3) to employ the operator of an enterprise, to sign a contract with him, and to supervise the execution of the contract. Successful bidders and those employed are of course directors (managers), who have the absolute right to manage enterprises and are representatives of the legal entities of the enterprises. Thus, ownership and management power are once again separated within the enterprises. The directors (managers) as operators will hold themselves responsible to the boards of directors. Trade unions as representatives of workers will sign contracts with the operators on labor and wages and elect representatives to join the boards of directors (management committees). In this way, there will be three forces within an enterprise that can restrict one another. The board of directors has the ownership of the enterprise as a legal entity; the operator, entrusted by the board of directors, has the absolute right to manage the enterprise and to achieve the best economic results in order to hold himself responsible to the board of directors; and the trade unions, as representatives of workers, must protect workers' interests and educate workers to observe labor discipline and improve their labor skills. Only in this way can the operational mechanism of the enterprise full play its role.

Provided That We Uphold the Legal Entity Ownership System, the Property of an Enterprise Will Not be Collective-Owned [subhead]

The legal-entity-ownership system is an ownership in law, but the legal entity is not the real owner of production means. Due to different ownership systems of production means, the nature of the ownerships endowed by different societies to legal entities are also different. The nature of production means in the above-mentioned legal-entity-ownership is still a social ownership that is different from collective ownership. First, the fund of the enterprise is not jointly run by members of the enterprise. Second, the property of a collective-run enterprise belongs to all members of the enterprise. However, the property of an enterprise owned by a legal entity does not belong to all members of the enterprise, and the members of the enterprises can only combine themselves with production means, provide labor to the society, and gain their income according to their labor. They cannot distribute or handle in private the property and products of the enterprise. Finally, in a collective-run enterprise, all the members can decide whether to use the accumulation to expand reproduction or to distribute it. In an enterprise owned by a legal entity, all accumulation belongs to the whole society and no individual person has the right to distribute or possess it, and the accumulation can only be used by the enterprise in further investment as an accumulation of public property. Only in this way is it possible to increase the property of an enterprise and to expand the economic strength of the whole society.



**Zhang Jingfu Cites Advanced Enterprises**  
*OW241217 Beijing XINHUA Domestic Service  
in Chinese 0735 GMT 18 Mar 88*

[Excerpt] Beijing, 18 Mar (XINHUA)—A total of 234 enterprises, including the Dongfang Electric Machinery Plant in Sichuan, Anshan Iron and Steel Company, and Jilin Chemical Industry Corporation, are the second group to earn the national title of "Outstanding Units in Equipment Management." Zhang Jingfu, Hu Ziang, and others presented awards and citations to these units today.

In his speech he made after the award-presenting ceremony, State Councillor Zhang Jingfu stressed: An important material and technical requirement for bringing about technological progress and the sustained, steady, and balanced development of the national economy is to strengthen the management, maintenance, transformation, and upgrading of equipment and to modernize equipment management. Therefore, enterprises and departments in charge of enterprises must understand the importance of proper maintenance, use, and repair of equipment. Enterprises must implement the State Council's "Regulations Governing the Management of the Equipment of State-Owned Industrial and Transport Enterprises," carry out the technical transformation of outdated equipment in a planned and systematic way, fully tap the potential of existing equipment, and enhance workers' initiative in doing a good job of caring for, properly using, repairing, and transforming equipment. [passage omitted]

**GUANGMING RIBAO on Enterprise Merging**  
*HK240715 Beijing GUANGMING RIBAO in Chinese  
27 Feb 88 p 3*

[Article by Du Feijin (2629 7378 6651): "On the Merging of Enterprises"]

[Text] As a concomitant of the continuously penetrating development of economic structural reform in our country, the merging of enterprises has become an unavoidable objective economic phenomenon in theoretical study and urgently requires people to carry out systematic exploration.

**The Basis for the Merging of Enterprises [subhead]**

The so-called merging of enterprises is the absorption and merging of enterprises, namely, the merging of more than two enterprises, one of which becomes an enterprise continuing in amalgamated form because it has absorbed (merged) the other enterprises. In the course of merging, the continuing enterprise retains its original name and has the right to acquire the property and creditors' rights of the enterprises it has absorbed and, at the same time, it must be responsible for their debts. Then, the absorbed enterprises will no longer exist. In the economic life of

our country, there is a strong and profound economic reason and objective necessity—independent of man's will—for the concept of merging of enterprises.

First, permitting the merging of enterprises is a requirement for further invigorating enterprises. Over the past few years, in the wake of the implementation of a series of measures for reform, including streamlining administration, delegating power, reducing taxes, and conceding profits, the problem of the universal lack of vitality of our country's enterprises has been alleviated to a certain extent. However, the current economic reality in our country is that many enterprises still lack vitality, some enterprises with poor management have incurred losses or made small profits throughout the year and relied on large government subsidies, and some other enterprises that have already been initially invigorated cannot further bring their vitality into play due to restrictions in the areas of factory premises, equipment, places, and manpower and in many other areas. If enterprises are allowed to merge, enterprises that have been initially invigorated can, through merging, acquire the necessary places, equipment, factory premises, and manpower in a relatively short time; expand their production scale; and provide society with more marketable products in a relatively short time. At the same time, enterprises that have incurred losses or have made small profits can benefit from the merging of the mechanism and avoid bankruptcy so that their original factory premises, equipment, and places can be rationally utilized in time and a new way out can be found for all staff members and workers at the same time. The merging of enterprises is, therefore, both the outcome of the initial invigoration of enterprises and the turning point of further invigoration.

Second, permitting the merging of enterprises is necessary for the rational readjustment of the industrial structure. The irrational industrial structure is a prominent issue in the economic development of our country. It is impossible to attempt to resolve the problem of the irrational industrial structure in a relatively short time with the method of a sudden change. Conversely, we must find an approach that can guarantee an appropriate increase in the economy without causing a great disruption of economic life and that is permitted by national conditions and ability. Such an approach may be that enterprises are merged into each other to bring about the gradual, smooth, and steady reorganization of the industrial structure through the spanning of a number of regions and through the spanning of different departments, trades, and forms of ownership. The mechanism that gives play to the role of the law of value determines that the merging of enterprises will surely develop toward a situation where products in short supply or industries that run short will be developed and in which products in excess supply or redundant industries will be suspended or eliminated through selection so that "striving to bring about coordinated development of the primary, secondary, and tertiary industries" becomes the conscientious action of every enterprise and even of the

whole society. Third, permitting the merging of enterprises is objectively necessary for improving the organization and structure of our country's enterprises. The organization and structure of the enterprises are the disposition and ratio of the quantity, mutual integration, and operation of the basic elements, including the labor forces, instruments of labor, and objects of labor, that are necessary for the enterprises to carry out production and operations and that are the sum total of the forms of connection with society. Under the system of "barriers between higher and lower levels and between different departments and regions" and of "regional blockade," the organizations and structure of our country's enterprises are so extremely irrational that big investment, little output, high consumption, and low economic results have become common failings. Permitting enterprises to merge can not only turn a "stripping and slicing" under the situation of carving up enterprises into a link of the economic network of society but can also enable enterprises to reorganize their productive forces according to the objective requirements for the development of the commodity economy so that the organizations and structure of enterprises can be gradually rationalized.

In addition, permitting the merging of enterprises is also an objective requirement for developing economies of scale and increasing economic results to scale. At the same time, the enforcement of our country's "enterprise bankruptcy law" will also provide the merging of enterprises with a motive force, because the merging of enterprises can relieve their staff members and workers of relatively big economic losses, or bankruptcy, and reduce the pressure and instability in society that comes from the bankruptcy of enterprises.

#### The Conditions for the Merging of Enterprises [subhead]

We can see from the concept of the merging of enterprises that the enterprises are to be merged in consideration of the relinquishment of their status of legal entity and of the transfer of their proprietary rights. That is to say, once more than two enterprises are merged, this signifies that the loss of legal status of the absorbed and merged enterprises is announced. However, this loss of the status of legal entity is different from the loss suffered as a result of the liquidation of their property; in law, it is called loss without liquidation of property. The growth and perfection of the mechanism for the merging of enterprises must, therefore, presuppose the perfection of the system of the enterprise's legal entity. If any one of the parties to the merger fails to possess the status of a legal entity or the characteristics of a corporate enterprise, the so-called merging of enterprises will surely be hindered or seriously twisted.

However, due to the obscure relations of the proprietary rights of the enterprises under public ownership in our country, the system of a legal entity is very unsound and there are no scientific standards for the legal entity of the state, the legal entity of an organ, and the legal entity of

an enterprise. As a legal entity, an enterprise has, therefore, not acquired clear and definite proprietary rights. In this sense, rather than as a corporate enterprise, we would regard a state-owned enterprise as an individual enterprise solely set up and directly managed by the state with unlimited liabilities (prior to the enforcement of the bankruptcy law); the legal form of a collective enterprise without state interference is, at most, merely a partnership enterprise, the rights of whose partners are restricted in many respects. Judging substantially, an enterprise under public ownership in our country is, therefore, still a natural person enterprise. Many years' practice has proved that it is impossible for the enterprises under public ownership, which are the same as enterprises with the status of a natural person, to achieve the free flow of the production elements and, having been cut off by different forms of ownership and by different departments and regions to which they belong, they become civil main bodies in a closed state. In this way, the mechanism for the conscientious merging of enterprises under different forms of public ownership cannot basically grow, but can only rely on the administrative force to carry out closing, suspending, merging (this "merging" is different from the "merging" mentioned in this article), and shifting to other types of production in order to remedy the defects that enterprises cannot be conscientiously merged. Due to the fact that these enterprises have not been basically transformed in a legal form, even if the so-called merging of enterprises which has now emerged everywhere is unable to resist multiple obstruction by the traditional economic structure, there is a serious twist. The "success" in the merging of enterprises has often benefited from the enlightenment and approval of the relevant departments in charge of the enterprises; the "nonsuccess" in the merging of enterprises is frequently due to repeated obstruction by departments concerned, so that the merging of our country's enterprises has been interfered with by the administrative force from the very beginning. From this, we can see that the enterprises under public ownership in a closed form is a fundamental obstacle to the development and growth of the mechanism for the merging of enterprises of our country.

What, then, is the way out for the normal development and growth of the mechanism for the merging of our country's enterprises? The writer holds that the way out is to introduce the stock mechanism and, through the universal transformation of the enterprises under public ownership in our country into corporations, to run the enterprises under public ownership in many legal forms. Specifically speaking, the state system of a legal entity must be affirmed through legislation and the legal entities of divisions of the state must be set up according to the four-level administrative divisions—central authorities, provinces (including municipalities directly under the central government and autonomous regions), counties (including districts), and townships (including towns). They will enjoy the proprietary rights to their own divisions' property under ownership by the whole people and, as a legal entity of the state and in parallel

with a government organ, state-owned assets management departments will be derived from people's congresses at all levels. As legal entities of the state, these organs will exercise their proprietary rights to the property under ownership by the whole people in the form of investing capital in the enterprises, and the relations between shareholders and stock companies are formed between the legal entities of the state and the enterprises. At this time, the state proprietary rights will embody the rights of the shareholders and, at the same time, the corporate enterprises will naturally acquire the proprietary rights to the property belonging to them according to the company law. After an enterprise under ownership by the whole people becomes a stock company and further becomes the main body of the enterprise's proprietary rights, it can select an operator in a corresponding form according to the different situation so that the relations between an owner and an operator become the relations between the board of directors of the company and the manager of the company and the proprietary rights can be really and properly separated from the rights of operation. Likewise, according to this principle, an enterprise under collective ownership can straighten out the relations between the investors and the corporation to turn the collective enterprise into a corporation. At this juncture, once the enterprises under public ownership are turned into corporations, the system of a legal entity with clear and definite proprietary rights will accordingly be established and put on a sound basis and the policy of opening up toward an enterprise will be thoroughly implemented, resulting in a microeconomic foundation for the development and growth of the mechanism for the merging of enterprises in the course of the operation of the commodity economy.

#### The Forms of the Merging of Enterprises [subhead]

As we now have an inkling of the practice of the merging of enterprises, due to the restriction by multiple factors at the very beginning, this merging is twisted into mechanical amalgamation of enterprises and the so-called merging of enterprises is simply expressed in the forms, including the form of "Lalangpei" [2139 6745 6792—title of a play that describes parents eagerly and indiscriminately trying to find a man to marry their daughter for fear she will be selected as an imperial concubine] with the upper-level leadership organ taking the responsibility for a decision (forcibly ordering an enterprise making profits to absorb and merge an enterprise incurring losses as a burden), the form of expropriating one enterprise by another without compensation (especially the merging of enterprises under different forms of ownership), or the form of transfer of an enterprise's proprietary rights with compensation having no set standard or in the form of unequal value for lack of clear and definite personification of the enterprise's property. Theoretically, some people still regard as a form of the merging of enterprises the practice of an enterprise contracting for another enterprise and of one enterprise renting another. The writer holds that a standard form of merging enterprises and the standard

mechanism for merging enterprises are closely related to each other and that the former is determined by the latter. Therefore, the study of the forms of merging enterprises must be carried out under the premise of the standard form of merging enterprises and under the hypothesis that the mechanism has been formed; otherwise, study carried out will lose its practical and theoretical significance and will even likely aggravate the difficulties in clearly and definitely distinguishing between the "merging of enterprises" and the "mechanical amalgamation" of enterprises.

After the enterprises under public ownership are universally turned into corporations and the policy of opening up toward the enterprises is implemented, in the light of some methods of merging enterprises in Western countries, the forms of merging enterprises in our country can be summarized into the following several kinds: 1) Purchase of assets with cash, namely, purchase of all assets of enterprise B by enterprise A with cash to achieve merging; 2) purchase of share certificates with cash, namely, purchase of all share certificates of enterprise B by enterprise A with cash to realize merging; 3) purchase of assets with share certificates, namely, issuing of the share certificates of enterprise A to enterprise B by enterprise A in exchange for all assets of enterprise B to attain the aim of merging enterprise B with enterprise A; 4) exchange of share certificates, namely, directly issuing share certificates to the shareholders of enterprise B by enterprise A in exchange for the majority of the share certificates of enterprise B (generally speaking, sufficient number of share certificates is needed so that enterprise A can control enterprise B) to gradually achieve the aim of merging enterprise B into enterprise A; 5) transfer of property, namely, transferring all its property to enterprise A by enterprise B for being unable to clear the debts of enterprise A, hence the loss of enterprise B's legal entity. According to the market connections between both parties merged, the foregoing five forms of merging can be divided into three categories: 1) Horizontal-type merging, namely, the merging of two enterprises in the same market structure; 2) vertical-type merging, namely, the merging of two enterprises with supply and purchase connections but which belong to different market structures; 3) mixed-type merging, namely, all merging that is neither horizontal-type nor vertical-type belonging to this category.

From these forms of the merging of enterprises, we can see that whatever their form and category, the merging of different enterprises will eventually embody the transfer of the merged enterprise's proprietary rights with compensation and this transfer with compensation is the lawful exchange of the enterprises' property on a voluntary basis by relying on the economic force. An enterprise no longer exists after it is merged, and it will be thoroughly reorganized by the merging enterprise according to the latter's will, including the appointment and removal of cadres, reduction of staff and workers, readjustment of wages, and disposal of assets. As to the



practice of an enterprise contracting for another enterprise and of an enterprise renting another enterprise, as no transfer of the proprietary rights of the enterprise contracted for or rented are involved and the enterprise contracted for or rented does not lose its legal entity status because it is contracted for or rented by another enterprise, the contract and lease between different enterprises do not constitute the form of the merging of enterprises.

Due to the fact that the merging of enterprises will involve many problems involving laws and policies, such as the state basic policy of commercial transactions, financial law, accountancy law, company law, tax laws, and antitrust law, our country must begin to formulate a series of corresponding policies, laws, and regulations in order that the mechanism for the merging of the enterprises of our country can develop and grow normally. Of these, a pressing matter at the moment is to consider including the contents of allowing the merging of enterprises in the "law of industrial enterprises under ownership by the whole people," which will soon be adopted; at the same time, on the basis of summing up the experiences in merging enterprises, it is necessary to promptly consider formulating the "law of the merging of enterprises"; in addition, to prevent excessive monopoly brought about by the merging of enterprises, it is essential to formulate the "antimonopoly law" to create a good social environment and legal environment for the normal merging of enterprises.

#### Views Enterprise Reforms

HK240823 Beijing GUANGMING RIBAO in Chinese  
13 Feb 88 p 3

[Article by Lin Ling (2651 0407): "Some Questions on Deepening Enterprise Reforms"]

[Text] The center link of the entire economic structural reform in the coming few years is to deepen enterprise reforms so that enterprises become socialist commodity producers and managing operators that are independent in management, and solely responsible for profits and losses. To achieve this target, we should further explore the related aspects of theory, forms of implementation, and policies. Questions on Separating Ownership and the Power of Management [subhead]

The relationship between ownership and the power of management is an economic relationship that has emerged in the course of economic development in human societies. In a feudal society, landlords own the land; and there are two situations concerning the power of management. In the first situation, landlords will employ workers, and they will manage the land by themselves. In the second situation, the landlords will lease the land to peasants who manage the land for them. In the first situation, the ownership and the management power of land are combined, while in the second case they are separated. Under capitalist conditions, there are also two situations concerning ownership and the power

of management. In the initial development stage of capitalism, capitalists employ workers to work for them, and directly manage their properties by themselves. With the development of the capitalist commodity economy, the scale of production becomes larger and larger, and more and more funds are needed. Under such circumstances, an individual capitalist cannot raise huge amounts of funds by himself. Therefore, the form of enterprise organization, under which funds are raised by issuing shares, emerges as the times require. In the first situation, ownership and management power are combined; in the second situation however, ownership and management power are separated. Thus we can see that ownership and management right can be combined as well as separated. The separation between them indicates the socialization of production, and it is thus a historic progress.

After China achieved victory in the socialist revolution, the system under which the state directly managed the means of production was adopted. However, there are a series of serious drawbacks in this system, which combines ownership and management power. Such a system constrains the enthusiasm and creativity of laborers and hinders the development of the rural and urban socialist commodity economies.

The reforms implemented in China in the past few years started with the separation of ownership and management right. However, to date we are still not really clear about the contents of ownership and management right, the degree of separation, and the problems derived from this separation. Enterprise management right, according to its original meaning, should include the right to own, to use, and to manage the means of production; while in practice enterprise management right is often being interpreted as daily operational and management right. Over the past 9 years, the independent enterprise management right of enterprises assigned by the state in fact has been the daily operational and management right. The experience gained from practice indicates to us that if enterprises are to be given real management rights, that is the right to own, to use, and to manage the means of production owned by the state, ownership and management rights should be completely separated, not partially separated. The so-called complete separation of ownership and management right means that apart from giving enterprises the daily management and operational power, the power to use and to legally manage their funds, the power to independently choose their supply units and to purchase the means of production directly from the market, and the power to carry out the state's mandatory plans in accordance with the principle of equivalent-price exchange and purchase contracts should also be delegated to enterprises. Furthermore, the state and its authorized departments will only have to supervise enterprises and make sure that they are using the state-owned fixed assets and circulating funds effectively, and that enterprises will provide regular maintenance and repairs to the fixed assets, will use new

technical achievements to transform and renovate equipment, and will turn over profits and taxes to the state according to the state tax laws and the economic responsibility contracts.

The separation of economic ownership and management right will inevitably raise the question of who is the owner and who is the managing operator. The current idea is: The state is the owner, and enterprises are the managing operators. This idea is undoubtedly correct. However, in legal terms, this has not personified both parties. The question will become more complicated if both parties are personified.

Considering the owner: Under the current system the upper-level managing departments of enterprises are of course personified owners of the enterprises. However, these managing departments still have double status and double power: on one hand they are part of the state, and they have the status and the power derived from the administrative power above all forms of ownership; and on the other hand they have the status and the power of being the representatives of state ownership. This type of double status and double power in essence is an integration of government administration with enterprises. Therefore, if these two types of power are not separated, it is possible that the upper-level managing departments of enterprises will use compulsory means to exercise ownership and to interfere in the production and operational activities of enterprises. Thus, separation of ownership and management right will only be nominal.

Considering the managing operator of enterprises, currently there are at least three opinions. One opinion considers that the factory director (manager) of an enterprise is the managing operator of the enterprise; another opinion holds that the leadership of an enterprise headed by the factory director (manager) is the managing operator; and the last opinion considers that the staff and workers of an enterprise are the managing operators, and the factory director (manager) is the representative of the managing operator. The first two opinions stress the role of the factory director (manager) and the idea that the contingent of socialist entrepreneurs will be trained in the course of production and operation. This is correct. However, whether these entrepreneurs belong to the "managing operator stratum," which is independent of the laborers' collective of their enterprises, or the "independent group of interests that are separated from the general interests of the enterprise staff and workers" is a question that merits study. We know that a socialist state-owned enterprise is a union of laborers consisting of workers, technical staff, management personnel and the factory director. Within such a union, there are triple relationships between the factory director and the laborers. Within the first relationship the director and other laborers jointly own and use the means of production, and the relationship between both parties is a joint laboring, equal, and comrade-master relationship based on different degrees of division of labor. Second, the director is the representative of the union of laborers and

the enterprise legal entity, and he is held responsible to the owner—the state. The third relationship is one between the leaders and the led formed by concentrated and unified leadership, which is required by specialized cooperation and socialized mass production. Therefore, factory directors (managers) do not belong to the "managing operator stratum" that is independent of the laborers' collective of their enterprises nor to a group of interests that is independent of the interests of staff and workers, but are members, who have a specially designated status, of the laborers' collective. Moreover, the directors share the same benefits and risks with the laborers. If the above argument can be established, then the personified managing operators are naturally the enterprise collective laborers, and the factory director (manager) of an enterprise is the representative of the managing operator of the enterprise.

Questions on the Forms in which Separation of Ownership and the Power of Management Are Realized [sub-head]

The theoretical problems concerning separation of ownership and the power of management have been basically solved through exploration in the past few years. The present problem is which forms should we adopt to realize this theory. In general, the following five forms have currently been adopted:

1. The system of substituting tax payment for profit delivery. Since the 3d Plenary Session of the 11th CPC Central Committee, two phases of the system of substituting tax payment for profit delivery have been adopted while the power of enterprises to make their own independent decisions is being expanded. The aim of this arrangement is to allow enterprises to retain profit, a portion of which is turned over to the state, and thus to realize the real separation of ownership and management right. However, due to various factors that have arisen in the course of implementation, after paying the transportation and energy construction fund, construction and bonus tax, paying for state bonds, and various levies, the profits retained by enterprises in general can only cover the bonuses paid to staff and workers and the deficits incurred in medical and welfare expenses; and they do not have the capability to renovate and develop themselves. Most of the enterprises cannot achieve the aim of enlivening enterprises through the implementation of the system of substituting tax payment for profit delivery. In my opinion this does not imply that this policy is wrong. The reason for this phenomenon is that there are still many problems in the type and the rate of the taxes levied on enterprises, and in the reform in price structure. It is better to have a simple relationship of interests between the state and enterprises. It is certain that this idea will be upheld in the future.

2. The contracted responsibility system. In general this system involves three forms: First, that the enterprise factory director will individually contract for the responsibilities; second, the group of managing operators headed by the factory director will be the contractor; and

the third, all the members of the enterprise will be the contractor, and the factory director is the representative of the managing operator. At present, there are some problems in the contracted responsibility system that have yet to be solved. First is the problem of contract relationships. In theory both parties involved in a contract should have their own rights, responsibilities, and benefits; but in fact only the contractor has to bear responsibility and the party issuing the contract basically does not have any responsibility. Second, the contracted base amount cannot be rationally fixed. Third is the question of contract fulfillment. The system of contracted responsibility adopted by most enterprises is the factory director contracted responsibility system. However, many directors of these enterprises dare not collect the bonuses when their contracts are fulfilled. When the contracts cannot be fulfilled or when losses are incurred, the ones who will really shoulder the economic losses are the state and enterprise staff and workers. Fourth is the question of enterprise short-term behavior. The period of the current contracts in general is fixed at several years. It is thus difficult for the factory directors of large- and medium-sized enterprises to do much about the production and management, and technological renovation of the enterprises.

3. The leasing management responsibility system. At present, most of the enterprises that have adopted this system are small state-owned industrial and commercial enterprises. The aim of this system is to transfer to the lessee the right to possess and the right to use the state-owned assets of an enterprise in a certain period through the form of rent; while the ownership of the assets is not to be changed. The leasing system has two main forms, one is individual leasing, and the other one is collective leasing. This system has a very effective role in enlivening small-sized enterprises. However, some problems remain to be solved. First is the problem of how to rationally define the rent. In summing up, the rent is fixed on the basis of the following criteria: 1) The fees for using state-owned assets; 2) the geographical location of the enterprise and the facilities and conditions it has; 3) the product-mix of the commodities produced; 4) the intangible assets of the enterprise, such as the reputation and the name of the enterprise; and so on. However, in actual practice, similar to that for the contracted base amount, it is difficult to rationally set the rent. Second is the question of the relationship between the lessee and the staff and workers. Even though we stress that the ownership system, the status of staff and workers in the whole-people ownership system, and the status of staff and workers of being masters in this system will not be changed, under the conditions of the entire leasing system there are still contradictions between the lessee and the staff and workers; the contradiction will be more acute, particularly when the work style of the lessee is not democratic and his income is substantially higher than other staff members and workers. Thus, the idea of being employed by the lessee will become stronger and stronger among the staff and workers. The third problem is that since the relationship of

property right is not clearly defined, lessees are not willing to input the leasing returns into the enterprise and they always aim at short-term interests.

4. The asset management contracted responsibility system. This system consists of three basic contents—estimation and assessment of the asset value of an enterprise; return-sharing; and management responsibilities. Under this system, the state will recruit the managing operator of an enterprise by inviting tenders. When the profits of the enterprise exceed the target of the asset returns stipulated in the contract, the surplus amount will be divided among the state, the managing operator, and the enterprise. However, when the profits achieved by the enterprise cannot cover the target of the asset returns stipulated by the state, the deficit amount will be compensated by the bonus and the welfare funds of the enterprise. If the funds still do not cover the deficits, the basic salary of staff and workers will be deducted so as to pay for the compensation; and the compensation should be paid till the contract period is completed. At present, this method is not very popular and not many enterprises have adopted it. Its good points are that it has clearly defined the asset relationship between the state and enterprises, and it can induce managing operators to pay attention to increasing the value of the assets in the contract period. However, it also has some difficulties: First, to estimate and assess the asset value of an enterprise is a complicated task and a reasonable figure is difficult to work out. Second, as with the contracted responsibility system, the contract period is usually fixed at 2 to 3 years. When the contract is completed, the state has again to invite tenders and to estimate and assess the assets value. Therefore, it is inevitable that there is short-term enterprise behavior. Third, a contract is mainly carried out between the state and the managing operator. Under such circumstances, the staff and workers do not have any decisionmaking power but they have to share the risks with the managing operator. Thus, the status of staff and workers of being the masters of an enterprise cannot be realized.

5. The shareholding system. The implementation of this system can turn a whole-people enterprise into a shareholding enterprise in which the state, the enterprises, the laborers' collective, individuals, and the society will hold shares. This type of shareholding enterprise can no longer be represented by a unitary state-asset owner, and the owner of an enterprise should be represented by the board of directors composed of various shareholders. Moreover, the board of directors will employ a factory director (manager) to take up the role of managing operator of the enterprise. In this case, the separation of ownership and the power of management is more perfect than other forms. However, there are some problems in this system, mainly: First, the amount of fixed assets formed by the retained funds of most enterprises is very small, and the condition for the laborers' collective of an enterprise to hold shares of the enterprise is not formed. Second, the socialist stock market cannot be formed in the near future, and the role of the shareholding system



cannot be fully brought into play. Third, individual laborers can subscribe to shares of the enterprise they belong to and their concern for the enterprise will thus be strengthened. However, the problem of how they should participate in decisionmaking remains unsolved.

Summing up the points mentioned above, we can see that even though we already have many forms of separation of ownership and the power of management, some problems still have to be solved.

#### Contradictory Problems Concerning the Separation of Ownership and the Power of Management and the Practice of Assuming Sole Responsibility for Profits and Losses [subhead]

The separation of ownership and the power of management is a correct theoretical basis for the deepening of the current enterprise reforms. To a large extent, this can solve the problems concerning the independence of enterprises in management. However, the separation of ownership and the power of management are contradictory to the target model of enterprise reforms—enterprises are solely responsible for profits and losses. The separation between ownership and the power of management, which is currently being implemented, is to separate the ownership and the power of management of enterprises. The representative of the managing operator of an enterprise, whether it is the factory director or the laborers' collective of the enterprise, only has the right to occupy, to use, and to manage enterprise assets according to regulations, and he does not have ownership. However, it is impossible for us to require the managing operator, who does not have asset ownership to assume sole responsibility for profits and losses, particularly the responsibility for losses. This is because the managing operator does not have any assets at all. In reality, once losses are incurred, the owners of the state assets have to be held responsible for the losses. The ultimate aim of China's economic structural reform is to make all enterprises become independent in management and to be solely held responsible for profits and losses. If state-owned enterprises cannot be solely held responsible for profits and losses, the internal enterprise management mechanism cannot be formed.

This type of mechanism should include two aspects, which are related to as well as different from each other. First is the self-expansion mechanism. This mechanism can be said to be an enterprise instinct as every enterprise wants to expand the scale of production and to increase economic returns. Second is the self-constraining mechanism by which an enterprise can control itself, as it has to be solely held responsible for profits and losses, while it is considering its expansion and inputs. Currently, some comrades consider that when part of the property of a managing operator is taken as collateral, then he will become solely responsible for profits and losses. However, in view of the current situation in China, this idea is in fact not practical. Even when an individual million-yuan householder offers all his properties as collateral, the amount is only several thousand

yuan. However, the amount of losses borne by the state, which is the owner of enterprises, and the amount of decrease in the income of staff and workers, is much larger than this amount. Therefore, the collateral can only be described as a penalty for losses, and it cannot be said that the managing operator is solely responsible for losses. Some other comrades said that the profits retained by enterprises and the fixed assets formed by these profits should be owned by the state. When an enterprise uses the retained profits to compensate for the amount of profits and taxes turned over to the state that it cannot fulfill and for the losses incurred, it in fact is using state funds to compensate for enterprise losses. In this case, enterprises are not solely responsible for profits and losses. Other comrades also said that when an enterprise incurs losses, the amount of losses can be compensated by the staff and workers' welfare and bonus funds, and can even be compensated by the fixed wage of staff and workers. This practice, of course, is seriously detrimental to staff and workers. However, it still cannot compensate for the losses in the state assets. Therefore, the enterprises are not solely responsible for profits and losses. I think that the most fundamental way to solve this contradiction is to form enterprise self-owned funds. Under the conditions of a socialist commodity economy, state enterprises are the socialist commodity producers and managing operators and they have their own independent interests. Enterprises use state assets in production and operation. Apart from turning over to the state taxes and the fees for using state assets, the remaining profits should be retained by the enterprises. Therefore, enterprises can form their own assets from this type of profit. When losses are incurred, they can only use these means of production to compensate for the losses. Otherwise, they are not commodity producers and managing operators.

Proceeding from the viewpoints mentioned above, the future form of enterprise property organization would inevitably be required to adopt the shareholding system. The specific method is: state shares are business-creating shares, and they should be assigned a preferential position in dividend distribution. These state shares should be guaranteed regardless of the operation situation of the enterprises; the dividend allocated to them should be guaranteed regardless of the situation of the activities of the enterprises; and they should not be held responsible for risks. The shares held by individual staff members and workers can, relatively speaking, bear half of the risks. That means that a portion of returns, which is equivalent to bank interest, can be guaranteed, and the portion of returns contributed by dividend will float with the operation situation of the enterprises. The shares held by laborers' collectives are fully held responsible for risks; these shares will be used to compensate for the losses incurred by the enterprises. When these shares in any year cannot compensate for the losses incurred in that year, the remaining amount should be compensated by the shares in the next year. In such a way, enterprises can realize sole responsibility for profits and losses under socialist conditions.

We have to point out that at present the amount of profits retained by most enterprises is rather small, and the amount of self-owned assets formed by enterprises' retained profits is even smaller. Moreover, as sufficient external conditions have not been formed, it is impossible to implement the shareholding system on a large scale. Therefore, only various forms of contracted responsibility system can be implemented. However, the contracted responsibility system is only an important advancing step toward the practice of assuming sole responsibility for profits and losses. The system itself is not a system of assuming sole responsibility for profits and losses. Therefore, in carrying out the contracted responsibility system, the management system of taking separate accounts of enterprises should be further carried out. That is to have separate accounts for the state assets of an enterprise and the assets formed by the profits retained and the debts recovered by the enterprise. In order to encourage enterprises using the retained funds in renovating enterprise technology and in expanding the contents of enterprises for reproduction, the profits formed by the self-owned assets of the enterprises can be taxed less or exempted from profit tax. Moreover, the enterprises can be free from paying the fees for using the fixed assets. Therefore, these two sums of money can be used in acquiring new inputs. With this snowball-rolling method, enterprises can accumulate an amount of self-owned assets, which contributes a certain proportion to the total asset amount, after several years. The above two steps have thus created conditions for enterprises to implement the shareholding system, which enables enterprises to assume sole responsibility for profits and losses. The next step is to gradually implement various forms of the shareholding system in accordance with the different situations of enterprises. In connection with this development, a series of coordinated reforms should be carried out to form a stock market under socialist conditions. Once this type of market is formed, the evaluation and assessment of the results of an enterprise will no longer be the assessment conducted by the state departments concerned on the targets of the profits and taxes turned over to the state by the enterprise, but will be determined by the increase and decrease in the prices of the shares of the enterprise. Of course, these are just our ideas. However, with the development of the socialist commodity economy and the deepening of the economic structural reform, it is possible for us to realize these ideas. We should work hard for this.

**Paper Views Xu Remarks on Capitalism**  
*HK240829 Hong Kong HONGKONG STANDARD*  
*in English 24 Mar 88 p 6*

[Editorial: "Nice Thoughts Won't Steer Us Clear of Stormy Waters"]

[Text] It all happened on the same day Mr Xu Jiatun's collected thoughts hit Hong Kong.

The grand old man of Sino-British togetherness opined that managers and bosses here should take a siesta. We would, of course, have to put up with an additional noontime peak hour.

The civil service pay talks broke down; MTRC announced a likely peak-hour fare rise.

Mr Xu attacked fellow communists in Beijing for not subscribing to the policy of opening up China to the outside world.

Acting Police Commissioner Li Kwan-ha announced a major drive to beef up the force; Chief Secretary Sir David Ford was making plans for a trip to London to tell the government end of the political reforms story.

Mr Xu described capitalism as a "great invention in the civilisation of mankind".

The stock exchange dipped below the psychological 2,600 barrier and Chi Wo Properties announced another boom year for properties—in Canada.

Mr Xu castigated Mao Zedong's catastrophic stewardship of the mainland. The Royal Hong Kong Observatory recorded its first thunder for the year.

Mr Xu has something to answer for when he gets off that sick bed in Shenzhen.

Not everything, of course. He's telling us how good the future will be. And we've had the Governor, Sir David Wilson, in London to tell everybody how good we already are.

But between the good of tomorrow and the good of today, we have a brain drain that is beginning to cause concern in both our administration and big business in the private sector. Localisation, too, is causing a few headaches.

We have American senators trying to pin everybody else's sins on our wide-open doors and threatening us with more protectionist fences.

We have also this increasing fear of the future which no Green Paper, White Paper, Basic Law draft or anything else can disperse. It's akin to one of those paralysing cemetery fogs of third-rate horror films which refuses to go away.

Sandwiched between are the Moaning Minnies who see no end to their own shakes.

So what's left of the middle ground? What is the reality? Surely not the sort of rhetoric we are being deluged with these days.

Like those public declarations that all is well; that there's not going to be a talent vacuum because we can still recruit brains from overseas; that those who migrate

make their way back here after a year or two; that our delegates to the National People's Congress will tell mainlanders the varnished truth about our feelings and our fears for the future.

All these assurances are taken not with a pinch of salt, but with a ton of it. That is why, day by day, you can listen to the declarations and observe the happenings and come away not a little cynical.

It is refreshing, indeed, to read of Mr Xu expounding on capitalism and assuring us that the middle-class is the salt of the earth.

But we must also keep in mind that there are many others up there who still think so differently. And there are yet others who want to help us by swamping us with human kindness, such as those who think the way to keep Hong Kong stable and prosperous is to move in and prop up the stock exchange. The intention is admirable, the cure may simply be fatal.

Mr Xu is, as the Americans would say, a genuine guy. So is the Governor. They're not newcomers and know and understand Hong Kong well.

But the same cannot be said of others behind them. That's why the Moaning Minnies are having a field day. Many of Hong Kong's wealthy, the talented, the needed and the needy are at a loss. Some of those who can arrange it, find a home elsewhere for security and peace of mind.

Maybe the remedy is for Mr Xu and Sir David to give us more of their collected thoughts; the unvarnished truth. And allow those thoughts to be subjected to close scrutiny and public examination.

And, perhaps, for Beijing to put an end to intrigues such as those orchestrated campaigns against direct elections of the year before.

Hong Kong obviously has a lot going for it ... with or without those siestas. But the compass and the gyroscope are going haywire. We must adjust them before this good ship, the s.s. Hong Kong, hits stormier waters.

#### **Full Use of Factory Resources Urged**

HK240613 Beijing LIAOWANG in Chinese No 10,  
7 Mar 88

[Article by Hua Ding (5478 0002): "Promote the 'Full Load' Spirit"]

[Text] The Shijiazhuang No 1 Plastics Factory and its director, Zhang Xingrang, initiated and implemented a "full load work method" and have achieved splendid results. They have thus become nationally renowned. The outstanding achievements of the factory which has soared to the sky as if on wings are being widely publicized through newspapers, radio broadcasts, and television.

The so-called "full load work method" means that within the framework of the 8-hour work period, every staff member or worker, every piece of equipment, every penny, and every ounce of materials should be fully exploited so that the management of human, financial, machinery, and material resources can be the best possible and "human talent and material resources can be favorably taken into account and time can be effectively used." While appraising this work method, a central leading comrade pointed out: This is a new modern and scientific management method that tallies with China's national condition and the enterprises' realities.

Why is this?

First, it embodies the fundamental guiding ideology of our country's workers being masters of the state and enterprises. Every man has a share of responsibility for the fate of his country and every worker shoulders heavy responsibility for the success or failure of his enterprise. Through the "full load work method," the employees of the Shijiazhuang No 1 Plastics Factory have linked their own jobs and work directly with the vigorous development of their enterprise and the prosperity of the state and nation.

Second, it inherits and develops the Chinese people's traditional virtue of being diligent. "To live well, one must work diligently. If one works diligently, he will lack nothing." "To develop an enterprise, one must rely exclusively on diligence." "Excellence in work is possible only with diligence." "With diligence, one can make up for one's inferior aspects." These are golden sayings summed up from experience and they have been words of praise for diligence since ancient times. The word "diligence" is inseparable from the creation of material and spiritual wealth. To carry out the "full load work method," we must also rely on diligence and a scientific approach.

Third, and most importantly, the "full load work method" is a way of achieving maximum efficiency and shaking off poverty and backwardness in an earnest, down-to-earth manner by proceeding from the realities in China—its huge population and weak foundation—by tapping internal potential, and by relying on existing conditions. As factory director Zhang Xingrang said: "Meat pies do not fall from the sky by themselves. To have steamed bread to eat, one must make it himself."

"The full load work method" was worked out by Zhang Xingrang who drew inspiration from his visit to factories of the same trade in Japan in 1985. He said: In Japan, a plastics factory of the same production scale employs only about 100 people while our factory has 800 employees; its capital turnover cycle is generally under 30 days while ours is 123; and its equipment utilization rate is more than 98 percent while ours is under 50 percent. This is precisely why we often say "the moment you compare, you get a start." Only by comparing can one distinguish. Only when we find out where we lag behind can we discover our potential. Through comparison,



Zhang Xingrang and the No. 1 Plastics Factory drastically woke up to reality and with the thought "can we not achieve what others can?" they were determined to catch with advanced levels, thus sparking the praiseworthy "full load" spirit.

In fact, in Japan there is a "full load" practice not only inside but also outside the 8 hours. According to a briefing given by people who visited Japan, enterprises and institutions in Tokyo decree that their work time ends at 1730. However, after they go off work, more often than not, ordinary working personnel still have some "items" left unfinished from that day to pick up. After having supper at nearby eateries, they return to their offices to work overtime for another 2 hours before going home. There is a pet phrase, "work with added vigor," popular among Japanese factories and enterprises. People are accustomed to working overtime to pick up "leftover pieces" outside the 8-hour framework.

There is also a similar overtime "full load" practice in the FRG. According to the FRANKFURTER ALGEMEINE ZEITUNG, the findings of a survey of 346 enterprise managers conducted last year by a consultancy firm in the FRG suggested that these managers generally worked at least 55 hours a week. In other words, they worked 8 hours Mondays to Saturdays and an additional 7 hours Sundays. The legal working time in the FRG is 40 hours a week.

Facts in our country and other countries show that it is impossible to make any business a success without hard work. Japan and the FRG can be said to be in the front rank of the contemporary world in terms of production level, labor efficiency, and living standards. The results of a 1987 survey of international competition among member states of the OECD conducted by the World Economic Foundation show that Japan ranks first and the FRG fourth. Their successes can probably be attributed to their "full load" drive in operating their enterprises.

By comparing what we have done with their way of doing things, must we not foster a "full load" working spirit as Zhang Xingrang and the Shijiazhuang No 1 Plastics Factory has done? To reform and open our country to the outside world, to realize socialist modernization, to achieve a well-to-do standard of living, and to catch up with moderately developed countries, it is imperative to have people of several generations building the country through arduous effort. To do so, a "full load" spirit is thus needed. We must race against time because time means life. We must work hard for high efficiency because efficiency means money. To do so, a "full load" spirit is needed.

However, today few factories and enterprises are operating at "full load" capacity. On the contrary, factories and enterprises operating counter to the "full load" spirit can be found in many places. The "reduced load" phenomenon of "going to work a little late, finishing work a bit earlier, and leisurely buying food for a while at

the 1000 break," the "half-full load" phenomenon of "frittering away half the day by drinking a cup of tea, smoking a cigarette, and reading a newspaper," and the "negative load" phenomenon of idling about and doing nothing all day long, spreading rumors, and sowing discord—a phenomenon that disrupts unity and saps people's will—are there for all to see. The phenomena in institutions and enterprises, such as waste of human, material, and financial resources, inefficiency, poor results, and low standards, are incompatible with the vigorous socialist cause and the surging and rolling high tide of reform.

As the internal "constitution" of the Shijiazhuang No 1 Plastics Factory, the "full load work method" has struck root in the hearts of all the factory's employees. As modern scientific management thinking and valuable spiritual wealth, the "full load" practice will determinedly be handed down in the factory like a relay torch. Our times need the "full load" spirit. Let every factory, enterprise, and institution carry forward the "full load" spirit!

**Number of Contract Workers Increasing**  
*HK250647 Beijing ZHONGGUO XINWEN SHE*  
*in Chinese 1041 GMT 23 Mar 88*

[Report by Wang Xiaohui (3769 2556 2547): "7.26 Million Workers in China Working on a Contract Basis"]

[Text] Beijing, 23 Mar (ZHONGGUO XINWEN SHE)—It is learned from the Ministry of Labor and Personnel that by the end of last year, some 7.26 million workers in China had been hired under labor contracts, accounting for one-tenth of the total number of permanent workers in the country.

Wang Leibai, deputy director of the Labor Force Management Bureau of the Ministry of Labor and Personnel, said that in 1987, some two-thirds of the 3.06 million newly employed workers were hired on a contract basis, and the number of contract workers increased by 38.5 percent; while the number of permanent workers only increased by less than 1 percent.

China is now reforming the employment system in order to adapt it to the development of the planned commodity economy. The labor contract system was introduced in an all-round way in October 1986 after a large number of pilot schemes involving enterprises' recruitment of new workers. This broke the "iron rice bowl" employment system that had existed for more than 30 years in China and which was previously regarded as a symbol of the superiority of socialism. Under the new employment system, workers have the right to select their jobs, and enterprises also have the right to select workers. This ensures the best combination of the labor force with the means of production.

The labor contract system has brought about the following changes: More workers come to work on time and have more initiative in their work; and fewer workers are late for work, leave earlier than they should, and do not work hard. More workers consciously abide by labor discipline; and fewer workers are involved in fights. More workers have an interest in studying technical and cultural knowledge; and fewer workers do not try to make progress. In Shanghai, Shenyang, Wuhan, Guangzhou, and another seven cities, the work attendance of contract workers generally reaches over 98 percent, and 3 to 5 percentage points higher than that of the permanent workers in the same units.

The Chinese Government has decided to advance the labor contract system and to take it as the main measure for reforming the employment system. Wang Leibao said that next year, college and secondary vocational school graduates will not be worried about their jobs and also will not enjoy the "iron rice bowl." He said that the labor contract system represents the general tendency of the development of China's employment system. It is learned that the Chinese Government has decided to pursue the labor contract system in an all-round way in Guangdong, and that the pilot schemes will be continued and advanced in other cities and reform experimental zones. The Chinese authorities place great hope on this practice, and they hold that to form a basic framework for the new economic structure, the reform of the labor system is indispensable.

Of course, the reforms in this field are still in the initial stage, and things are still not perfect. According to some complaints, more than 7 million contracts were not concluded on the basis of equality and consultation and the worker's free will. Some contracts merely stipulated the worker's duties and did not stipulate their rights. Some labor contracts were contracts in form only and were not actually implemented. Wang Leibao said that with the in-depth development of the labor system reform, the labor market will be further developed and become mature, and labor contracts will be more effectively and genuinely implemented. Then, people will become more accustomed to the reasonable movement of the labor force.

**Industrial, Commercial Tax Revenue Increases**  
*HK240947 Beijing CHINA DAILY in English*  
24 Mar 88 p 1

[By staff reporter Guo Zhongshi]

[Text] China has collected 14.2 billion yuan of industrial and commercial taxes in the first two months of this year, an increase of 14.6 percent over the same period last year, officials of the Taxation Administration told CHINA DAILY.

Figures for tax income from the energy and transport industries and income tax from State enterprises this year are not available yet, as they are mainly paid at the end of the year.

Over the past several years, the nation has seen continuous sharp rises in its tax revenues as income from various taxes now makes up more than 90 percent of the country's total financial revenue.

The increase in taxes has averaged some 10 billion yuan (about \$2.7 billion) every year since 1985.

The total amount of taxes assessed last year reached 200 billion yuan, with about 80 percent coming from industrial and commercial firms, Niu Chengli, vice director of the administration, said.

"Tax collection is playing an increasingly important role in the national economy as State-owned enterprises have turned from handing over all their profits to the State to submitting taxes," Niu said.

Meanwhile, the government has stepped up its clamp-down on tax evasion, according to sources from the Supreme People's Procuratorate.

An official of the procuratorate said procuratorial organs handled 4,515 cases of tax evasion and non-payment of taxes in the first 10 months of last year, 120 percent higher than in the corresponding 1986 period.

Law enforcement organs investigated 2,231 such cases and retrieved 47 million yuan in the process, 100 percent more than the same period in 1986, the official said.

Niu said that the number of different kinds of taxes collected has increased from seven in 1978 to the present 25, including taxes on profit, product, income and market transactions. These taxes cover State, collective and private enterprises, Sino-foreign joint ventures, cooperative ventures and firms wholly owned by foreigners.

The number of taxpayers also has risen from 900,000 in 1978 to the present 25 million, Niu said. He said tax personnel throughout the country will number 500,000 by the end of this year, a sharp increase compared with 1979's 178,000.

He said that the State has decided to strengthen supervision over the tax collecting departments. Last year, the country penalized and discharged some 400 tax collectors for various illegal activities and violations of relevant laws.

**Industrial Output Records 5 Years' Growth**  
*OW240227 Beijing XINHUA in English 1847 GMT*  
23 Mar 88

[Text] Beijing, March 23 (XINHUA)—China's industrial output has enjoyed an annual average increase of 15.3 percent over the past five years.

According to information released by the State Statistics Bureau, the output value totalled 1,378 billion yuan last year, with light and heavy industry sharing similar rates of growth.

In 1987 China gave a big push to some weak sectors, including coal, oil, electricity and steel. The cement production nearly doubled that of 1982 and the number of automobiles increased by 1.4 times.

The output of consumer goods such as woollens, beer, refrigerators, washing machines and TV sets more than doubled.

Investment in technological upgrading reached 100 billion yuan in a total of 100,000 projects.

In the same period China used 10 billion U.S. dollars-worth of foreign exchange to import 10,000 projects of advanced foreign technology and equipment.

In the last five years China also made major achievements in mining, thermal and nuclear power, and metallurgical equipment, as well as optical fiber telecommunications.

**Shanghai Train Crash 24 March Kills 7**  
*HK241452 Beijing ZHONGGUO XINWEN SHE*  
*in Chinese 1309 GMT 24 Mar 88*

[Text] Shanghai, 24 Mar (ZHONGGUO XINWEN SHE)—A serious railway accident took place in Shanghai this afternoon.

At around 1414, a 311 Hangzhou-Nanjing through express collided with a 208 Changsha-Shanghai through express at Kuangxiang, about 3 km southeast of Nanxiang in the outskirts of Shanghai, causing enormous losses.

According to the rescuers at 1700, seven were killed in the accident which included five Japanese, a Chinese army officer, and a railway worker; and it was difficult to count the injured.

At the accident site, we witnessed injured passengers rescued from the crushed coaches. It is said that some 40 to 50 injured passengers were sent to the hospital for emergency treatment. All the main hospitals in Shanghai received an emergency circular about rescuing the injured passengers.

We saw the luggage car of the 208 through express overturned on the top of the locomotive and a soft seat coach from the 311 through express piled onto the other coach. It is said that there was a Japanese student tour group among the passengers in the coach.

Following the accident large numbers of railway workers, public security personnel, medical workers, and officers and men from the armed police and PLA units garrisoned in Shanghai rushed to the accident site to carry out rescue work. The accident site was surrounded by ambulances, police cars, and other vehicles.

In addition to the serious damage to the trains, today's rain in Shanghai added to the difficulties of the rescue work. Huang Ju, deputy secretary of the Shanghai Municipal CPC Committee and vice mayor, and responsible persons from relevant departments formed a rescue headquarters on the spot. Proper arrangements were made for those who were not injured or only slightly injured.

The cause of the accident is still under investigation.

**Child Labor Increasing in Rural Areas**  
*OW231320 Beijing XINHUA in English 1253 GMT*  
*23 Mar 88*

[Text] Beijing, March 23 (XINHUA)—The most recent issue of CHINA NEWS has demanded rural elementary and secondary school students not be given jobs in enterprises or fields.

A survey of one township in east China's Jiangxi Province found 181 children under the age of 15 working in fields contracted by their families and 41 helping out in shops run by their parents. Of these children, 85 percent were girls.

The paper attributed this trend to the parent's desire to earn more money, poor educational facilities and not enough good teachers in rural areas.

For other reasons, some students quit school before finishing junior high, even though China now has a nine-year compulsory education law.

Educators agree, if China gives in to this trend, the country's overall educational level will go down.

**Changes Planned for Study Abroad Program**  
*OW250302 Beijing XINHUA in English 0208 GMT*  
*25 Mar 88*

[Text] Beijing, March 25 (XINHUA)—China will continue with the policy of sending students abroad, though some minor adjustments may be made, according to an article in the latest issue of "OUTLOOK" weekly.

Since 1978, China has sent 50,000 students to study in over 70 countries. 20,000 have since returned and of those who remain abroad, about 20,000 are government-funded students while 10,000 are self-supported.



According to the article, the state is in favor of small concentrations of students throughout many countries so as to provide for a wider diversity of experience. It also wants to see more students studying in the applied sciences go abroad.

"More visiting or exchange scholars will be sent and the number of students going for graduate degrees will be reduced gradually," the article said.

A large number of the government-sponsored students now overseas are visiting scholars or researchers. Among this group, the return rate is more than 90 percent.

Other state-funded students are those seeking M.A. or Ph.D degrees. The country has sent 12,000 such students abroad since 1982, and they currently total over half of the government-funded learners abroad. The article stated that it expected that they will start to return this year.

So far about 200 students with Ph.D degrees have returned. It usually takes a student four to five years to get such a degree.

Since 1979, China has sent some 1,000 undergraduate students to study in Japan and several European countries. Upon completion of their degrees, however, many of them returned only to go overseas again as graduate students.

"It will take about a decade for these students to finish their academic quests in foreign countries," the article said.

Most of the self-sponsored students have gone abroad as undergraduates. As they financed their study through the help of their relatives or sponsors, it is possible that some of them may stay in foreign countries longer than expected.

Reiterating the fact that government-funded students are duty-bound to return, the state began to implement a new policy in 1986, namely, that a student going abroad must receive the permission of his or her work unit, as well as agree to return after finishing studies abroad.

With over 1,000 students expected to return this year with Ph.D's, work units should be well-prepared to welcome them and create necessary working and living conditions for them, the article said.

"Yet it is not realistic for those returning to compare the current conditions at home with those in developed countries. We should be prepared for hard work to make China prosperous and the people better-off," the article said.

### State To Improve Poorly Run Universities

HK240313 Beijing GUANGMING RIBAO in Chinese  
12 Mar 88 p 1

[Report by Zhu Wenqin (2612 2429 3830): "State Education Commission Decides To Reorganize Some Institutions of Higher Learning"]

[Text] This reporter has learned from the 1988 national conference on enrollment work of institutions of higher learning held a few days ago that the State Education Commission, commencing March 1988, will spend 3 years to improve some universities and colleges that are now suffering from shortages of teaches and facilities and poor management.

China's higher education has developed remarkably since 1978. According to 1986 statistics, China had 1,054 universities and colleges (twice the 1978 figure of 598). However, some universities and colleges (particularly those established in recent years) have suffered from shortages of teachers and facilities and poor management. The conditions for running schools have not met the criteria prescribed in relevant state regulations and have not been able to guarantee teaching quality. To consolidate the successes achieved in higher education, the State Education Commission has made proposals on reorganizing these universities and colleges and has worked out specific measures for implementation. The measures include: Spending 3 years to improve some institutions of higher learning and merging and reorganizing them if they are still not up to state standards and cannot guarantee teaching quality by 1990; starting in 1988, controlling the number of students of universities and colleges that are not up to state standards and not allowing them to open new departments; halting the enrollment of new students for professional schools and short-term professional training programs where there are shortages of senior lecturers; the relevant departments at a higher level working out plans as quickly as possible for merging and reorganizing universities and colleges that are not up to state standards and where conditions are extremely poor. When the consolidation and reorganization work winds up by the end of 1990, the state will officially announce the list of the China's universities and colleges.

### Media Spotlight Problems of Working Women

OW241249 Beijing XINHUA in English 1019 GMT  
24 Mar 88

[Text] Beijing, March 24 (XINHUA)—Women are facing declining opportunities in the workplace and an increasing number are returning home to be housewives.

And they are not happy about the situation.

They say they are being treated unfairly not only at work, but at school and in political affairs, too.

Their dilemma has recently become a major point of focus in the Chinese media.

"WOMEN OF CHINA", the most influential national women's magazine with one million readers, launched a discussion on "the way out for women in 1988" in its first issue this year.

The newspaper "CHINA WOMEN NEWS" has also opened up a column for dialogue on women's participation in political affairs.

A job-hunting woman using the pseudonym Li Jing wrote to "WOMEN OF CHINA" to complain she had lost her job when her factory decided to cut back its workforce to improve efficiency.

Though she still gets 80 percent of her pay while at home to take care of her child, she can't bear to break her career or neglect her university knowledge.

"I am a college graduate, my work skills and ability are not worse than others, but I lost my job just because of my child," she said.

She continued indignantly, "Women shoulder the burden of child-bearing and routine chores, but at work they still have to compete with men at the same conditions.

"Is this competition just? Moreover, women's sacred contribution to continuing life on earth has not been highly respected by society.

"On the contrary, it has been the reason for women's elimination from work. Is this fair?"

So now she has become a housewife. She was so ashamed, she said, she dared not reveal her real name, home address or even the city she lived in.

"I am now very depressed although my husband treats me well," she confided to the magazine.

China has 220 million women workers, among whom 8 million are women cadres. In urban areas, about 40.5 percent of the women are career women and in some big cities over 95 percent of women between 25 to 45 are working.

The All-China Federation of Trade Unions recently surveyed 660 enterprises in 11 provinces and cities around the country. It found about 27,000 people had lost their jobs since July last year because of reorganization in the enterprises. Women made up 64 percent of those laid off.

The survey showed that 62.5 percent of the [word indistinct] force in the enterprises were women workers.

"WOMEN OF CHINA" also conducted a survey which found an increasing number of women leaving their jobs.

In a rich village in Tianjin, it noted that about 84 percent of the married women have withdrawn from agricultural work to become housewives. One woman named Li said that since men make more money and have no time to look after the family, women have a duty to do so. She accepted her lot happily, she said.

It has been suggested a major reason why women withdraw from work is they feel the pace of labor has become too fast and intense for them; some are still fettered with traditional ossified views about their place in society.

One woman cadre said that three quarters of the women workers in one enterprise felt women belonged in the kitchen.

Women leaders are concerned. Kang Keqing and Luo Qun, two of China's foremost social activists, are strongly opposed to women being relegated to housework. The idea runs counter to the ongoing reforms and is against what is happening elsewhere in the world.

Li Qiyun, vice party secretary of the Beijing Municipal Committee, agrees.

The newspaper "CHINA WOMEN NEWS" noted in a recent editorial that women do not often succeed to elected positions if men are running against them.

Wang Ping, teacher of China Women Cadre School blamed this on a deep-set prejudice and discrimination.

As a man at China Central TV said, women's failure in the elections just shows women are "incompetent". He thinks there is no need for women to be in politics.

Still, some progress is being made. Two women were recently elected vice mayors of Beijing City, a first in the capital's history.

### East Region

#### **Jiangxi To Send Technical Cadres to Countryside** *OW250002 Nanchang Jiangxi Provincial Service in Mandarin 1100 GMT 9 Mar 88*

[From the "Provincial Hookup" program]

[Text] The provincial people's government issued a circular recently saying that it has decided to send selected cadres with technical and managerial expertise and skilled workers, numbering 3,000 in total, from urban enterprises, establishments, and government institutions to support village and town enterprises.

According to the circular, these cadres and workers will support village and town enterprises in various ways. They may work there as employees for a set period or on an unscheduled basis. Alternatively, they may carry out technical cooperation with village and town enterprises to develop new products, offer technical consultations, sign technical service contracts with the enterprises, provide technical know-how in exchange for shares in the enterprise, or sell their research results to the enterprises. Professional technicians in urban areas may be granted leave without pay or they may resign from their present posts in order to take over the operations of village and town enterprises on a contract or lease basis, to play a leading role in running such enterprises, or to establish new enterprises.

The circular sets forth clear provisions on the remuneration of those supporting village and town enterprises. It says that their wages and other forms of remuneration should be determined through consultations by all concerned, including themselves, their original work organizations, and the units receiving their support. There should be no change in the supply of household grain and in the relationship between these personnel and their original administrative organizations. Professional technicians operating village and town enterprises on a contract or lease basis, playing a leading role in running such enterprises, and starting new enterprises may get an appropriate share from the economic benefits they have created as their reward. Good rewards should be given to those who have made outstanding achievements or significant contributions.

The circular asks leaders at all levels to attach great importance to, and strengthen their leadership over, the work of sending professional technicians to support village and town enterprises. All localities, departments, and units should assign a responsible comrade to deal with this work personally. Moreover, they should have full-time personnel to organize, implement, and check the work to make sure that it is put into practice. By early April, they should decide which localities they are going to support and then contact those localities. The work

plan should begin to be implemented before the end of April. The selection and dispatch of personnel to support village and town enterprises should be completed before mid-June.

### Central-South Region

#### **Guangdong Designated for Further Reforms** *OW240605 Beijing XINHUA Domestic Service in Chinese 1528 GMT 15 Mar 88*

[By reporter Shi Meisi]

[Text] Guangzhou, 15 Mar (XINHUA)—The State Council approved in principle recently Guangdong Province's "proposal to deepen the reform, broaden the opening to the outside world, and speed up economic development in the province." The Guangdong provincial people's government announced this in a news briefing today. As an area designated for trial practice of comprehensive reforms, Guangdong Province will continue to forge ahead of the rest of the country in carrying out the policies of reform and opening to the outside world. At present, it is stepping up the formulation of specific programs to be implemented.

According to a spokesman for the provincial people's government, the State Council has approved 10 measures to be implemented by Guangdong for deepening reform and broadening the scope of opening. These include the following:

**Banking reform:** Guangdong is allowed to practice independent administration of credit funds. For the purpose of developing the financial market, upon obtaining approval, enterprises may issue stocks to society and individuals. Various cities that are economic centers may establish a number of enterprises' credit assessment organizations and stock-handling companies. Guangdong is allowed to expand its foreign exchange market by establishing gradually foreign exchange regulating centers in its large and medium cities. In accordance with the principle that a creditor maintains a balance independently and takes its own risks in foreign exchange accounts, credit can be extended to borrowers after the amount of such credit is approved by the provincial government.

**Reform of the foreign economic relations and trade structure:** Guangdong is allowed to relax policy control over the use of foreign capital and broaden its powers in examining and approving foreign-invested projects. Guangdong will have the authority to examine and approve the requests of foreign businessmen to establish exclusively owned enterprises in the province, greater decisionmaking power in export control and management, and the power to relax import examination and



approval and import operations. It is permitted to delegate the power to sign agreements on the processing of supplied or imported raw materials to the producing enterprises that are qualified to handle the processing work.

**Reform of the price structure:** Guangdong is allowed to give full scope to the regulating role of the market, reform the pricing administration structure, and see that the prices of commodities and various key raw materials needed for production are reasonable. Guangdong is allowed to spend the next 5 years or so making itself able basically to keep the prices of principal commodities reasonable, perfect supplementary measures, and establish a new commodity-prices-administration system. Prices of energy, communications and transportation services, and food items, and fees charged for some public utilities, will be placed under planned control and adjusted in a planned way in accordance with the law of value. All the rest will be left to market regulation.

**Reform of the labor and wage structure:** Guangdong is allowed to open a labor service market, practice a labor (hiring) contract system, and give employment power to managers of the enterprises. The state will exercise overall control over the increase of Guangdong's total amount of wages by allowing it to float along with the comprehensive indexes of economic growth of the province as a whole. The total amount of wages of the workers of an enterprise (including various kinds of subsidies, allowances, and bonuses) will be linked to the enterprise's economic results. The enterprises will have decisionmaking power in regard to wage increases for their workers, provided that the average rate of wage increase does not exceed the growth rate of their labor productivity and the growth rate of their tax and profit payments delivered to the state.

**Fiscal System:** As requested, Guangdong may retain all above-quota revenues for its disposal during the next 3 years, beginning in 1988.

**Real estates reform:** There will be large-scale commodity housing construction in Guangdong. Part of the rent will be retained for subsidizing the construction of housing units, whose ownership will eventually be transferred to the occupants. These measures shall be implemented step-by-step in a manner suited to local conditions. Prior to collecting commodity-rate rents, the rent for public-owned housing units in cities and towns will, during the next 3 years or so, be raised to a level that can reflect costs. Use of state-owned land will be on a compensatory basis. The real estate market will be explored.

The spokesman said: The basic strategic concept of Guangdong's social and economic development by the year 2000 is: Guided by the needs of the domestic and world markets, and based on scientific and technological development and scientific management, Guangdong will give full play to the roles played by the Shenzhen, Zhuhai, and Shantou Special Economic Zones, and turn

the Guangzhou-centered Zhujiang Delta into an export-oriented economic zone having relatively strong links with other regions at home and abroad, thus making Guangdong an even more open province with a developed socialist commodity economy. While making constant efforts to increase its socialist economic returns, Guangdong should strive to quadruple its GNP by 1995 and promote its export so that its growth will be higher than the GNP growth and so that its people will enjoy a comparatively comfortable life sooner than anticipated.

**Construction Bank Aids Guangdong Projects**  
*OW250223 Beijing XINHUA in English 1536 GMT*  
24 Mar 88

[Text] Guangzhou, March 24 (XINHUA)—A bank specializing in lending to construction projects has for the first time aided enterprises' technical upgrading by organizing loans from different areas.

The Construction Bank of China's 8 branches and the trust and investment companies from 4 provinces concluded an agreement on jointly providing loans totalling 100 million yuan to 2 plants in Guangdong Province today.

A bank official here said this reflects a new trend in China's reform of its banking system.

According to the official, the Construction Bank of China has formed a network for lending and borrowing funds among its branches in 55 cities since April last year.

A 3-day meeting which concluded here today saw the branch banks conclude 112 transactions involving about 2 billion yuan in loans.

Founded in October 1954, the Construction Bank of China used to only manage state loans in capital construction projects. But now its focus is being expanded to aid the development of coastal areas.

**Guangdong Expands Post, Telecommunications**  
*HK250157 Beijing ZHONGGUO XINWEN SHE*  
in Chinese 0827 GMT 17 Mar 88

[Report: "Big Development Planned for Guangdong's Post and Telecommunications This Year"]

[Text] Guangzhou, 17 Mar (ZHONGGUO XINWEN SHE)—A series of major actions will be taken to expand Guangdong's post and telecommunications this year. This was disclosed by Li Yisheng, Director of the Guangdong Provincial Post and Telecommunications Administrative Bureau, to reporters a few days ago.

These major actions include:

—The construction of a 217-kilometer optical fiber system from Guangzhou to Hong Kong and a 70-kilometer optical fiber system joining Zhongshan, Zhuhai, and Macao will be completed. The Guangzhou-Hong Kong system will be connected to Dongguan, Shenzhen, and Huiyang.

—Three thousand five hundred lines will be added to the existing Guangzhou long-distance exchange equipment with 1,300 lines, and 1,400 lines will be added to the existing Shenzhen long-distance exchange equipment with 600 lines.

—All radio-telephone networks on the Zhujiang Delta will be put into operation. Since the first phase of the project of the Guangzhou Telephone Bureau was put into operation in November last year, there are already nearly 400 users and they are satisfied with the operation. This year, the first phase of the project of the Zhujiang bureau and that of the Shenzhen bureau will be completed.

—Three microwave lines in the east, west, and north will be put into operation. The eastern line is the Huizhou-Huidong-Haifeng-Shanwei-Lufeng line. The western line is the Jiangmen-Kaiping-Enping-Yangjiang-Wuchuan-Maoming-Dianbai line. The northern line is the Guangzhou-Huaxian-Qingyuan line. Both Huizhou of the eastern line and Jiangmen of the western line will be connected with Guangzhou's optical fiber system. By that time, communications between Yangjiang, Qingyuan, and Guangzhou will be much more convenient.

—Two thousand five hundred long-distance telephone lines will be added and they are estimated to account for one-third of the country's new long-distance lines this year. The total number of program-control telephones in Guangzhou, Jiangmen, Shaoguan, Shantou, and Shenzhen and of automatic telephones in Haikang and Dapu will increase by 150,000 and rural automatic telephones by 60,000. Following Nanhai, Dongguan, and Shunde Counties, Huaxian, Sanshui, Panyu, and Xinhui Counties will realize automation of rural telephones.

—In postal service, the civil engineering work of three mail handling centers in Shaoguan, Shenzhen, and Zhanjiang will be completed.

According to Li Yisheng, Guangdong's postal and telecommunications service developed very fast last year. The net increase of urban telephones was 140,000 sets, the newly added long-distance lines increased by nearly 2,000 lines, and the newly added automatic telephones in rural areas increased by 50,000 sets. Such increases were faster than another other province in the country.

**Guangxi Government Holds Beijing News Conference**  
*HK241530 Nanning Guangxi Regional Service in Mandarin 1030 GMT 23 Mar 88*

[Text] Our autonomous regional people's government yesterday held a news conference in Beijing's (Xiyuan) Hotel. The news conference briefed participants on the

achievements scored by the autonomous region since its founding 30 years ago, especially since the 3d Plenary Session of the 11th CPC Central Committee.

Attending the news conference were Li Yan, deputy director of the CPC Central Committee Propaganda Department; Jiang Jiafu, vice minister of the State Nationalities Affairs Commission; Song Muwen, deputy director of the State Media and Publications Office; Lu Chaoqi, deputy editor in chief of RENMIN RIBAO; and more than 130 reporters from over 40 media organizations in the capital.

Wang Rongzhen, vice chairman and representative of the autonomous regional people's government, expressed heartfelt thanks to the capital's reporters for their interest in and support for the region's economic construction. Vice Chairman Wang Rongzhen then briefed the reporters on the region's achievements in economic construction, the prospects for the region's reforms and opening up, and the region's preferential policies to be adopted for further reinvigorating its economy.

In conclusion Vice Chairman Wang Rongzhen said: A number of reporters in the capital will soon visit our region for news coverage purposes. Our region's party committees and people's governments at all levels, and relevant units in our region will give energetic support to their work.

Li Zhenqian and Chen Ren, leading comrades from our regional party and government organizations, also attended yesterday's news conference.

A capital press delegation to tour Guangxi was established yesterday. Comrade Xing Yan, publisher of the RENMIN HUABAO SHE [PEOPLE'S PICTORIAL], heads the delegation. The delegation will soon leave for Guangxi.

**Hainan To Restructure Economy as Province**  
*OW250041 Beijing XINHUA in English 1455 GMT 24 Mar 88*

[Text] Beijing, March 24 (XINHUA)—Hainan Island will establish a new economic structure centering on a market economy after it becomes a new province of China soon, senior Hainan official Liang Xiang said here today.

This structure is geared with the world market and dominated by a market economy under the guidance of the state macro-economic control, said Liang, deputy secretary of the Hainan Provincial Preparatory Committee of the Chinese Communist Party and a deputy to the coming NPC session.

"But our market economy differs from the free economy in Hong Kong or other capitalist forms of free economy," he noted.

An important measure to set up the new economic structure is to change Hainan's present structure of only one ownership and form a structure in which various economic sectors coexist, and develop simultaneously and compete with one another, he added.

"This structure will be the micro-economic basis for Hainan's new economic structure," Liang Xiang said.

A salient feature of the structure is that state-owned enterprises will be restricted to noncompetitive sectors such as infrastructure and a few major enterprises that have a vital bearing on the local economy and people's livelihood, he said.

"We can change the ownership of smaller enterprises by auctioning them or selling their shares," he said.

In addition to starting various kinds of enterprises, he said, foreign investors can contract, lease or purchase local enterprises including state-run factories.

Efforts will be made to promote the growth of a cooperative economy on the basis of voluntary participation and mutual benefit, he added.

"Meanwhile, we shall encourage the private sector and enterprises of diverse ownerships, including privately owned ones," he said.

Holding a dominant position in the economy will be what he called a "mixed economy"—an economy in which businesses of different ownerships are mixed up and cooperate with each other.

Diverse investment sources and cooperation will lead to growth of shareholding enterprises, enterprise groups, and transnational companies.

"All economic sectors are equal and the Government treat equally enterprises of different ownerships," Liang said.

He described the restructuring of state-owned enterprises as a "urgent task" in Hainan. State-owned enterprises must reform themselves thoroughly to win competition.

It is imperative to separate the ownership of existing state-run enterprises from their managerial authority and define their property ownership as a legal person.

According to Liang, this reform measure is designed to enable them to assume full responsibility for their own profits and losses, operate independently, and bear risks and grow on their own.

"I think the introduction of the shareholding system is an effective method for restructuring state-run enterprises," he said.

The shareholding system can take a variety of forms. Shareholders can be government asset administrative offices, government investment foundations, financial institutions, social foundations, and individuals.

He predicted that shares of government asset administrative offices will decrease when those of other organizations increase.

There will be more and more foreign-funded enterprises in Hainan when it opens itself wider to the outside world, he said.

Therefore, he added, Sino-foreign joint ventures, cooperative businesses, and wholly foreign-owned enterprises will probably constitute a fairly big percentage.

Nevertheless, he said, the state may control railways, shipping, posts and telecommunications, banks, and other economic lifelines through state-run enterprises or buying most shares.

"In this way we shall not deviate from the socialist economic orbit," he noted.

The biggest advantage of the new economic structure lies in helping attract both Chinese and foreign funds and personnel, and helping create a competition-based economic environment, he added.

The center of the new structure is the introduction of a market system closely linked with the international market, Liang pointed out.

In this structure, operation and circulation of enterprises will be determined primarily by the needs of the international market.

Only when problems crop up, will the government step in to make readjustment from the point of view of macro-economic control.

"In the future, we'll base our plans on supplies and market demand and the law of value," he said.

The market will play its due part in controlling and regulate the economy, he said. The Government will manage and regulate the economy mainly through the market, and will guide, coordinate, and oversee it by legal and other means.

Meanwhile, efforts will be made to open markets for money, labor, real estate, technology, and information.

Liang Xiang pledged to build the new economic structure by drawing on the experience of China's special economic zones and coastal areas in economic reforms as well as foreign experience.



**Wuhan Encourages Enterprises To Merge**  
*OW250119 Beijing XINHUA in English 1515 GMT  
24 Mar 88*

[Text] Wuhan, March 24 (XINHUA)—Municipal leaders in Wuhan, capital of Hubei Province, plan to take further steps to centralize city-wide enterprises, said Mayor Zhao Baojiang.

By doing so, the Government hopes to revitalize the enterprises, especially the state-run ones and those operating in the red, Zhao said.

Zhao said that the city government is considering publicizing regulations outlining guidelines for such mergers and plans to gradually systematize the practice to protect the interests of both the enterprises and the employees.

The city branch of the Industrial and Commercial Bank of China will also set up an office wholly devoted to assisting in enterprise mergers, according to Zhao.

Statistics show that 32 enterprises have merged with 25 larger ones over the past 2 years, and the economic results are encouraging.

According to a survey covering 24 merged enterprises, their output value increased by 40 percent; sales volume by 32 percent and profit by 46 percent over previous years.

The mayor said that the state will no longer exempt failing enterprises from turning in tax payments, in order to speed up the merger process.

### Southwest Region

**Natural Gas Discovery in Sichuan Reported**  
*HK250657 Beijing ZHONGGUO XINWEN SHE  
in Chinese 0601 GMT 17 Mar 88*

[Text] Beijing, 17 Mar (ZHONGGUO XINWEN SHE)—This year, Sichuan Province has again made a discovery in natural gas prospecting: A high-yield air current has been discovered at the Paleozoic level of the Dongshan structure in southern Sichuan Province. The natural gas discovered in the transition zone linking the central and southern parts of Sichuan Province now amounts to 10 billion cubic meters.

According to a report carried by ZHONGGUO SHIYOU BAO [CHINA PETROLEUM PAPER], the high-yield air current discovered in the Ordovician layer of the Paleozoic level of the No 1 well at the Dongshan structure is estimated at a daily output of over 250,000 cubic meters. This is the first high-yield natural gas well ever discovered at the Ordovician layer of the Paleozoic level of the Sichuan Basin. The discovery of this natural gas well has demonstrated the probability of finding more natural gas at the Paleozoic level of the Sichuan Basin.

After over 5 billion cubic meters of natural gas was discovered in the Moxi structure in the transition zone linking the central and southern parts of Sichuan last year, industrial gas was again discovered this year in the Lei Section of the Nos 17 and 21 wells in the Moxi structure in the transition zone. This structure, which stretches over an area of over 50 square kilometers, is now capable of upgrading the geological natural gas reserves. The initial estimates show that some five billion cubic meters of geological natural gas reserves have been discovered. Moreover, the prospecting forecast shows that there is a possibility of discovering a huge natural gas field which contains over 100 billion cubic meters of natural gas and even groups of such huge natural gas fields in the transition zone linking the central and southern parts of Sichuan Province.

**Tibetan Armed Police Force Units Honored**  
*OW250527 Beijing XINHUA in English 1713 GMT  
24 Mar 88*

[Text] Lhasa, March 24 (XINHUA)—A total of 8 units and 41 individuals from the Armed Police Force of the Tibet Autonomous Region received prizes this morning.

They were honored for their work in restoring law and order during the riot which erupted in this regional capital March 5. Yuan Shisheng, who was killed in the riot, received a posthumous title—"Devoted Guard on the Tibetan Plateau".

Before his death, Yuan stood fast on the roof of a 3-story building in a rain of stones, reporting through a walkie-talkie the happenings down in the street to his superiors.

Yuan's companion at the time, Yang Yucheng, was also among the prize winners.

Regional party and government officials attending the occasion highly praised the police heroes.

**Tibetan Prefecture Leader Denounces Rioters**  
*HK241516 Lhasa Tibet Regional Service  
in Mandarin 1130 GMT 23 Mar 88*

[Excerpts] Comrade (Li Guangwen), secretary of the Nagqu Prefectural CPC Committee, spoke at a Nagqu prefectural conference on the building of grass roots political power. He denounced indignantly the activities of a small number of separatists and their crimes of disrupting nationality solidarity. [passage omitted]

Secretary (Li Guangwen) said: The vast numbers of cadres, staff members, workers, herdsmen, Buddhist monks, and Buddhist laymen should understand fully the nature of the 5 March riot and the protracted nature of this struggle. They should uphold the stand for patriotism, unity, and progress, make a clean break with separatists, and struggle resolutely against separatists to the end.

Comrade (Li Guangwen) added: The small number of separatists absolutely cannot represent the interests of the vast numbers of people in Tibet. During the prayer festival the separatists incited a riot, thus breaking state law, disrupting the normal religious life of Buddhist monks and laymen, and running counter to Buddhist canon and doctrine. [passage omitted]

Comrade (Li Guangwen) said: The separatists disrupted the unity of the motherland, the political situation of stability and unity, and normal production, work, and social order. What they have disrupted are the fundamental interests of the Tibetan people; they have betrayed the whole Tibetan nationality. This shows clearly that the small number of separatists are the scum of our nation and are black sheep. Facts have proved that they do not enjoy popular support. All our Communist Party members, CYL members, and all the cadres, staff members, and workers in enterprises and units must take a firm, clear-cut stand against separatists, stand in the forefront of the struggle against separatism, and wage a protracted struggle against separatism.

## NORTH REGION

**Congress Standing Committee Holds First Meeting**  
*SK250408 Beijing BEIJING RIBAO in Chinese*  
15 Mar 88 p 1

[Text] Members of the Standing Committee elected at the first session of the Ninth Beijing Municipal People's Congress yesterday came to the meeting room of the municipal People's Congress Standing Committee organs to attend the first meeting of the ninth municipal People's Congress Standing Committee.

This meeting will discuss and adopt a draft "decision of the Beijing Municipal People's Congress Standing Committee on the establishment of work organs"; decide on the appointments and removals of personnel of various work organs of the municipal People's Congress Standing Committee; discuss and adopt the draft rules of debate of the Beijing Municipal People's Congress Standing Committee"; and hear briefings given by Vice Mayor Zhang Jianmin and responsible comrades of the municipal Foreign Economic Relations and Trade Commission on Beijing's foreign economic and trade work.

Based on legal stipulations, the term of office of the municipal People's Congress Standing Committee is 5 years. Committee members attending yesterday's meeting were proud of being able to discuss and decide on the municipality's major affairs on behalf of the municipal people in the next 5 years. They expressed that they would exercise their democratic rights well. Like the veteran committee members, many comrades who attended the Standing Committee meeting for the first time also offered many good opinions at the meeting. This showed that the level of discussing political affairs of this Standing Committee has been further enhanced.

At yesterday's meeting, the committee members conducted conscientious and enthusiastic discussion, adopted the "decision of the Beijing Municipal People's Congress Standing Committee on the establishment of work organs," and decided on the establishment of the Political and Legal Commission, the Financial and Economic Committee, the Education and Science and Technology Committee, the Culture, Public Health, and Sports Committee, the Urban Construction Committee, the Rural Committee, the Research Office, the Legislative Office, the Deputy Liaison Office, the Personnel Office, and the General Office under the Beijing Municipal People's Congress Standing Committee. This decision also stipulated the major work and the choice of persons of the work organs of the municipal People's Congress Standing Committee. The meeting also adopted the appointments and removals of personnel of these work organs.

The meeting was presided over by Chairman Zhao Pengfei. Vice Chairmen Ma Yaoji, Li Guang, Xia Qinlin, Xing Jun, Tan Yizhi, Tao Dayong, Pu Jiexiu, Chen Mingshao, and Rong Yi, attended the meeting. Liu Yunfeng, president of the municipal Higher People's Court; He Fangba, chief procurator of the municipal People's Procuratorate; and responsible persons of various district and country People's Congress Standing Committee, attended the meeting as observers.

**Li Ximing Marks 30th Birthday of Evening Paper**  
*SK250534 Beijing BEIJING RIBAO in Chinese*  
15 Mar 88 p 1

[Excerpts] "I congratulate you on your efforts over the past 30 years to make BEIJING WAN BAO become better." "May the evening paper continuously advance relying on the great achievements based on the love of the vast number of readers." These best wishes were made by Li Ximing, secretary of the municipal party committee, and Chen Xitong, mayor of the municipality, at the meeting to mark the 30th anniversary of the publication of BEIJING WAN BAO on the morning of 14 March. [passage omitted]

Xu Wen, director of RENMIN RIBAO, presided over the meeting. Gu Xing, deputy director of RENMIN RIBAO, and former editor in chief of BEIJING WAN BAO, introduced to the participants the work situation of BEIJING WAN BAO. In his speech, Li Ximing fully affirmed the achievements made by the paper and also set forth new requirements for its work. He said: "With a great many subscribers, BEIJING WAN BAO goes deep to the tens of thousands of households and appeals to both the old and the young and both the more and the less cultured."

Li Ximing pointed out: The evening paper has a good advantage. That is, it carries news and articles concerning both commendation and criticism. Without commendation or criticism, a paper will lose its vitality. We

should adopt various methods to keep contacts with the people from higher to lower levels. This is an important factor for revitalizing the papers.

Yang Zicai, Yang Zhengyan, Huang Shuze, Gao Zhanxiang, Ding Yifeng, Yuan Shihai, and Liu Xinwu made impromptu speeches at the meeting, and expressed their expectations and wishes on BEIJING WAN BAO's work. On behalf of the general editorial department of BEIJING WAN BAO, Ye Zuxing, editor in chief of BEIJING WAN BAO, expressed thanks to all participants.

**Hebei Holds Meeting on Rural Reforms Experience**  
*SK250554 Shijiazhuang Hebei Provincial Service*  
*in Mandarin 2300 GMT 10 Mar 88*

[Text] The provincial party committee and the provincial people's government cosponsored a meeting in (Huailu) County on 9 March on exchanging experience gained in deepening rural reforms. Major items on the meeting's agenda are to relay the spirit of the national conference on agricultural work, to exchange the experience gained by the province in conducting reforms in the rural areas, and to study the issue of how to utilize the law of value to direct the sustained development of the rural economy.

Attending the meeting on 9 March were leading comrades from the provincial party committee and government, including Xie Feng, Yue Qifeng, and Zhang Runshen.

Attending the meeting were responsible comrades in charge of agricultural affairs from various prefectures, cities, and counties; and leading personnel of the provincial level departments and bureaus concerned.

At the meeting on the morning of 9 March, Governor Xie Feng delivered a speech on several problems which will be emphatically discussed and dealt with at the meeting. He stressed that localities should deepen their understanding on the importance of agriculture. He stated: Over the past few years, although our province has achieved greater development in agriculture, we have noted that our province has not shown an increase in its grain output over the 2 consecutive years and that it showed a decrease in this regard in 1987. During the period, our province not only showed an increase in its population but also scored an approximately 100-jin decrease from the national standard in per capita grain volume. Generally speaking, our province has, to date, attached importance to agriculture. However, we should acknowledge that we have not attached enough importance to it and that we have not adopted adequate measures to attach importance to it. After the meeting, party committees, governments, and various departments at all levels should have a new understanding on agriculture and truly put agriculture on their very important work schedule.

In his speech Xie Feng pointed out: The key to pushing agriculture forward lies in doing things in line with the law of value. The major gap caused by our province over the past few years is that the province has not done a good job in guiding the development of the commodity economy in line with the law of value and that the province has not relaxed enough control over the policies and not enlivened the commodity economy. We should note that peasants engage in production in line with the demand of markets and engage in whatever is beneficial after introducing the market mechanism which represents the inevitable reflection of peasants in the transition from the natural economy to the commodity one. In facing this change, we must master the method of handling peasants affairs in line with the law of value and have our purchase policy and prices be suitable to the law of value.

In his speech Xie Feng stated: In developing agriculture, we should first get a hold on reforms and second on science and technology. Since the beginning of 1988, our province has made a good start in relaxing control over scientific and technological personnel and over scientific research institutions. Efforts should be made this year to strive to make greater steps in relaxing control over this regard. All scientific and technological cadres in scientific research units, higher educational institutions, industrial and mining enterprises, and party and government organs, who are able to go to grassroots level units, should actively go to the countryside to sign technical contracts or render technical service.

In his speech Xie Feng urged localities throughout the province to realistically enhance their leadership over the rural work. He stated: In enhancing leadership over the rural work, we should first get a good hold on harmony between departments and regions and second on the implementation of policies. In guiding agriculture, we should neither press peasants in farming and harvesting as we did in Dazhai Brigade nor wash our hands of peasants as we did in the early stage of enforcing the overall responsibility system by believing that peasants know farming well. Moreover, we should not get a hold on agriculture only for agriculture. Efforts should be made to study production, commodity circulation, domestic trade, and the export-oriented economy. Localities should also strengthen the building of enterprises at the town-township level, enhance the strength of these enterprises and enlarge their power, and should enforce the system under which plant directors hold responsibility for the attainment of certain objectives and the system of contracting responsibility with payment linked to achievements. The masses from top to bottom throughout the province should make joint efforts to enable the rural work to reach a new standard.

**Hebei's Xing Pays Last Respects to CPPCC Leader**  
*SK250332 Shijiazhuang HEBEI RIBAO in Chinese*  
*9 Mar 88 p 1*

[Excerpts] Comrade Li Fanglin, an outstanding member of the CPC, a faithful proletarian revolutionary fighter,



member of the Sixth National CPPCC Committee, permanent vice chairman of the Hebei Provincial CPPCC Committee and deputy secretary of its leading party group, died of cancer at 0120 on 13 February 1988 at the age of 70. A ceremony to pay last respects to the remains of Comrade Li Fanglin was held in Shijiazhuang City on 29 February. [passage omitted]

Leading comrades of relevant central departments, including Liu Lantao, Li Baohua, Fu Chongbi, Li Menghua, and Mao Duo, sent wreaths to the ceremony; and leading comrades of the provincial party committee, Advisory Commission, People's Congress Standing Committee, government, CPPCC Committee, and Discipline Inspection Commission, including Xing Chongzhi, Xie Feng, Li Wenshan, Yue Qifeng, and Yin Zhe, and friends of Comrade Li Fanglin, including Lin Zhong, Liu Kekuan, and Yang Fatao, totaling more than 500, paid their last respects to the remains of Comrade Li Fanglin. [passage omitted]

**Hebei's Xing Attends CPC Members Funeral**  
*SK250338 Shijiazhuang HEBEI RIBAO in Chinese*  
10 Mar 88 p 1

[Excerpts] After failing to respond to any medical treatment, Zhang Xiaodong, an outstanding CPC member, a faithful proletarian revolutionary fighter, and a good party-member cadre, died of cancer at the age of 79 in Shijiazhuang at 0600 on 4 February 1988. A ceremony to pay last respects to Comrade Zhang Xiaodong's remains was held on 7 March 1988. [passage omitted]

Sending wreaths to the ceremony were leading comrades of relevant departments under the central authorities, including Nie Rongzhen, Yang Shijie, Li Jihuai, Zhang Su, Huang Qingxi, Li Baohua, Xun Changwu, Wang Guoquan, Duan Junyi, Cui Yueti, Lin Tie, Sun Jingwen, Zhang Xueshu, and Zhao Fan; and the Shanxi and Qinghai provincial party committees and governments. Zheng Tianxiang sent a message of condolence to the ceremony. Attending the ceremony to pay last respects to Comrade Zhang Xiaodong's remains were leading comrades of the provincial party committee, Advisory Commission, People's Congress Standing Committee, government, CPPCC Committee, and Discipline Inspection Commission. These included Xing Chongzhi, Xie Feng, Li Wenshan, Yue Qifeng, Lu Chuanzan, Yang Zejiang, Yin Zhe, Wang Zheng, and Zhao Yimin; and some 400 people, including Xun Changwu and Gao Shuming, good friends of Comrade Zhang Xiaodong during his lifetime. Sending wreaths to the ceremony were the provincial party committee, Advisory Commission, People's Congress Standing Committee, government, CPPCC Committee, Discipline Inspection Commission, various departments under the provincial party committee, provincial-level departments and bureaus concerned, provincial-level democratic parties, the provincial Federation of Industry and Commerce, mass organizations concerned, Quyang County, and more than 300 people, including Comrade Zhang Xiaodong's good friends during his lifetime.

Calling on Comrade Zhang Xiaodong at the hospital when he was seriously ill were leading comrades Xing Chongzhi, Xie Feng, Yue Qifeng, Lu Chuanzan, Yang Zejiang, Yin Zhe, Ye Liansong, Qu Weizhen, Bai Shi, Li Feng, Wang Yu, Zhang Kerang, Han Qimin, Niu Shucui, Ge Qi, Ding Tingxin, Wang Dongning, Xu Chunxing, Ma Zhouzhou, Wang Enduo, Ma Xinyun, Du Jingyi, Jia Qiyun, Lu Zhiguo, Xu Ruilin, Luo Chengde, Yin Yigang, Hong Yi, Hu Kaiming, Zhao Zhenzhong, and Yan Jingbo.

**Hebei Secretary Speaks on Development of Reform**

**At TV, Radio Conference**  
*SK240525 Shijiazhuang HEBEI RIBAO*  
*in Chinese 5 Mar 88 p 1*

[Excerpts] On the afternoon of 4 March, the provincial party committee sponsored a provincial radio and television conference to invite Lang Baoxiang, an outstanding entrepreneur, director of the board and concurrently general manager of the China Huangyu electronic corporation, and director of the Shijiazhuang television set manufacturing plant, to deliver a report entitled "Correct Management Strategies Are Enterprises' Foundation of Victory." The provincial party committee called on cadres at various levels and the staff and workers to go into action, to ceaselessly emancipate their minds, and to ceaselessly deepen the province's reform work and promote the rapid development of the economy.

Attending the conference were leading comrades of the provincial party committee, Advisory Commission, People's Congress Standing Committee, government, CPPCC Committee, and Military District. Those attending included Xing Chongzhi, Xie Feng, Li Wenshan, Yue Qifeng, and Yang Zejiang.

Lang Baoxiang, an outstanding entrepreneur, introduced his personal experiences in how to enliven the enterprises under the situation of reform and opening up to the outside world. [passage omitted]

Xing Chongzhi, secretary of the provincial party committee, made a speech at the conference. He spoke highly of the achievements made by the Shijiazhuang television set manufacturing plant and the Huangyu Electronic Corporation under the leadership of Comrade Lang Baoxiang. He said that through persistently linking creativeness with scientific methods, Comrade Lang Baoxiang has played an exemplary role in seeking truth from facts and bravely doing pioneering work.

Comrade Xing Chongzhi said that in the course of studying and popularizing Comrade Lang Baoxiang's experiences, we should pay firm attention to the key link of emancipating our minds and to solving the following few problems.

First, we should continue to get rid of old ideas. The major task for further emancipating the minds is to get rid of the "leftist" ossified ideas and old habitual influence. Although these ideas have heavily been attacked by the tide of reform, the deep-rooted influence cannot completely die away in a short period of time. Why do people try to find fault with the new things or new methods cropping up in the course of reform? Some people even doubt whether they are "socialist" things or "capitalist" ones. Why do people always try to find fault with or doubt the reform work whenever any inevitable mistakes take place in the course of reform? Why do people try to solve the new problems or new contradictions cropping up through reform in line with the old methods? Why do people criticize the results of reforms with a narrow-minded view when reform is related to their personal interests? All this indicates that we must deepen reform, further renew our thinking, eliminate outdated rules and habits, and get rid of "leftist" influence.

Second, we must persist in the basic standards for productive forces. The purpose of further emancipating the minds is to further liberate productive forces. The fundamental way for judging whether or not our minds have been emancipated is to examine, analyze, and solve all problems relating to the social economic activities in line with the basic standards for development of productive forces. If we judge problems or test our policies, rules and methods in line with the standards for development of productive forces, we will find that it is necessary to widen our thinking of reform and to make a wider step for reform. At present, the province is confronted with a series of major questions regarding reform and opening up to the outside world. We must try to find accurate methods to answer these questions. For instance: How to vigorously develop the export-oriented economy and take a part in the great international economic cycle? How to adopt different methods for accelerating the economic development in line with different local actual conditions? How to bring in increasingly more capital, technologies, and talents from abroad or other provinces? How to turn sciences and technologies into real productive forces through giving free rein to scientific research organizations and relaxing policy restrictions on management of science professionals and technicians? In order to give answers to these questions, we should define the standards for development of productive forces. We must get rid of all misgivings and smash all obstacles to resolutely and boldly do things conducive to the development of productive forces. The things that are not conducive to the development of productive forces should be eliminated resolutely. Certainly we must eliminate the strange phenomena that hamper the development of productive forces due to this or that kind of misgivings.

Third, we must be inspired with a spirit of dauntlessly doing pioneering work and blazing new trails. Reform is the only way for rejuvenating Hebei. Since reform is a new thing, we must first foster a spirit of dauntlessly

doing pioneering work. We must repeatedly advocate and encourage the spirit of making exploration and blazing new trails to create increasingly fresher experiences in reform. For instance, Comrade Ma Shengli's contract system, Comrade Zhang Xingrang's "full workload method", Comrade Lang Baoxiang's experiences, Shijiazhuang City's markets for means of production, Handan Prefecture's competition contract system, Langfang Prefecture's experiences in development of town and township enterprises, Baoding City's amalgamation of enterprises, and Xingtai Prefecture's experiences in "giving free reins to scientific research units and relaxing restrictions of policies toward science professionals and technicians" are outcomes of ideological emancipation and results from boldly blazing new trails. A group of reformers have emerged from various fronts throughout the province. However, generally speaking, there are only a few persons bravely exploring or blazing new trails, and some comrades are still careful, prudent, and take a wait-and-see attitude. I hope that our comrades, particularly, leading cadres at various levels, should substantially proceed from the reality of their localities, departments, enterprises, and units; and work closely in line with the key link of developing productive forces to further emancipate their minds, to bravely explore new ways, to study ways for solving new problems, to create new experiences, and to strive to further deepen and accelerate the pace of reform.

#### At 12 March Conference

SK250621 Shijiazhuang Hebei Provincial Service  
in Mandarin 2300 GMT 12 Mar 88

[Text] At the provincial conference to exchange experiences in deepening rural reform on the afternoon of 12 March, Xing Chongzhi, secretary of the provincial party committee, pointed out: The key to deepening rural reform lies in acting according to the law of value. It is high time for work out ways to study the market and the commodity prices, and guide the peasants' economic activities through economic means.

In his speech, Xing Chongzhi first elaborated the need for acting according to the law of value when developing the commodity economy. He said: With the further development of the commodity economy, after the peasants take the road of commodity production, they will inevitably decide on their own economic activities in line with market prices, and select their production in line with market demands, engaging themselves in whatever is profitable, or more profitable. This is a reflection of the action of the law of value, and a historical change in the rural economy. The law of value is an objective law independent of man's will. We should take the initiative in using and mastering it instead of violating it. Otherwise, we will be punished. Our past failure to deal with peasants' work successfully according to the law of value has made us suffer plenty of punishment, and has cost us dear. We should learn from this experience and lesson, and become wiser.

Speaking on formulating specific policies in line with the law of value, Xing Chongzhi stressed: To enable the law of value to play a still better role in economic activities, we should have a series of supporting policies and measures. We should reform the original purchasing, marketing and price systems that are incompatible with the law.

He said with deep feeling: Last year we allocated more than 70 million yuan to subsidize meat prices alone. However, such a great amount of subsidy still could not stabilize the pork price, and the masses still had many complaints. If things go on like this, production will not be expanded, consumption will be out of control, prices will go up continuously, and subsidies will increase, hence, a vicious circle in which commodity prices and subsidies take turns in rising. We should abandon this old road, and open up a new one. We should note that we are self-sufficient in the supply of grain, cotton, oil, hogs, eggs, and vegetables. Therefore, we have favorable conditions to accelerate and promote reform. When taking an issue into consideration, we should first set our sights on anything conducive to promoting production. Only when production is promoted, and commodity supply is increased can the contradiction between supply and demand be alleviated, and prices be stabilized.

Xing Chongzhi urged leading people at various levels to learn to use and master the law of value. He said: At present great changes have taken place in rural undertakings and circulation methods. Peasants are engaged not only in grain, cotton and oil production; farming; forestry and animal husbandry; but also in agriculture, industry, and commerce. Even most of their grain, cotton and oil production is oriented to the market needs and is controlled by the market prices. It is high time for us to work out ways to study the market and commodity prices, and guide the peasants' economic activities through economic means. Leading comrades of party committees and governments at various levels should not only study the basic knowledge on the law of value but also go deep into reality of life, conduct investigations and study, and solve the problems in practice. Party committees at various levels should assign several responsible comrades to engage particularly in the study of the problems in rural reform, and economic development. Separating the party from the government cannot be interpreted in an oversimplified manner as making party committees take charge of political affairs and governments economic affairs. Party committees and governments should exert concerted efforts to implement the party's basic line, and attend to economic construction, which is the central task. Of course, party committees should not intervene in the specific affairs in economic work. They should focus their efforts on studying and deciding on the economic structural reform, development strategies, and some major policy decisions. Focusing on the local economic development strategies, the various departments should work in coordination, and regard themselves as an integrated whole to facilitate the development of the rural economy.

**Hebei's Xing Commends Civilized Units**  
*SK250021 Shijiazhuang HEBEI RIBAO in Chinese*  
13 Mar 88 p 1

[Excerpt] Li Wenshan, deputy secretary of the provincial party committee and chairman of the provincial committee in charge of building spiritual civilization, gave a speech at today's provincial meeting to name and commend civilized units. He said: This year our province's guidelines for building spiritual civilization are to focus our work closely around the "central task of economic development and two basic points" under the guidance of the 13th party congress, fully apply effective methods to build civilized cities, units, villages, and towns, work realistically to further emancipate thinking, liberate the productive forces, intensify the concept of reform and opening up, improve the levels of ideology, morality, science, and culture, promote remarkable improvements in social order and habits, enable the activities of building spiritual civilization to enter a new stage, and achieve greater success.

At the meeting to name and commend the 1987 provincial-level civilized units which was cosponsored by the provincial party committee and the provincial government, 300 provincial-level civilized units were named and 21 advanced collectives in the joint Army-people activities and 7 advanced cities in the activities to build spiritual civilizations were commended. Leading comrades of the provincial party committee, Advisory Commission, People's Congress Standing Committee, government, and CPPCC Committee, including Xing Chongzhi, Xie Feng, Li Wenshan, Yue Qifeng, Yang Zejiang, Sun Guozhi, Bai Shi, Qu Weizhen, Zhang Chao, Liu Ronghui, Chen Yujie, and Du Jingyi, presented certificates of honor, plaques of citation and silk banners to the award winners. Li Wenshan gave a speech on behalf of the provincial party committee and government. [passage omitted]

**Nei Monggol Holds Conference on Grain Production**  
*SK240335 Hohhot Nei Monggol Regional Service*  
in Mandarin 1100 GMT 22 Mar 88

[Text] The regional conference of grain bureau directors and grain section heads concluded on 21 March. It set forth that the region should realize gradually the goal of basically being self-sufficient in grain and make efforts to improve circulation and service fields with a view to promoting the development of grain production.

The conference set forth three major measures for promoting the development of grain production.

First, we should continuously reform and perfect the grain circulation system, persistently apply the double-track system to the circulation of grain, stabilize the system of grain purchases on a contracted basis, and expand the marketing of grain at negotiated prices. It is necessary to offer market and price information to grain peasants at any time, to readjust the structure of grain



varieties in line with the law of prices and market demands, and to [words indistinct] grain peasants to produce readily marketable, expensive, and high-quality grains.

Second, we should provide services before, during, and after grain production; and help peasants turn products into commodities. Our region has a surplus of corn but lacks wheat. Therefore, grain departments at various levels should make efforts to pioneer ways for grain management, expand trade through bringing in capital and technology and conducting cooperation with the outside world, and work in cooperation with relevant departments to achieve a success in intensive processing and transformation of corn and to expand the utilization of grain. Meanwhile, we should protect the peasants' enthusiasm for grain production.

Third, we should enhance circulation means and improve circulation facilities in order to suit the demands of the region's grain production development and to avoid the phenomena of having difficulties in marketing grain due to insufficient facilities.

Liu Zuohui, vice chairman of the regional government, made a speech at the conclusion of the conference.

**Nei Monggol Prepares To Exploit Coalfield**  
*OW250029 Beijing XINHUA in English 1441 GMT  
24 Mar 88*

[Text] Hohhot, March 24 (XINHUA)—Preliminary work has begun on opening up China's second largest coal center on the Ordos Highlands, an area known as the "Land Floating on the Sea of Coal".

The first projects involve diverting water from the Yellow River and erecting a 220,000-volt power transmission line.

Railways and highways are also being developed from the coalfield to Datong in Shanxi and Hohhot and Baotou in Inner Mongolia.

Two construction materials plants have been completed, one producing 30 million bricks a year and the other, 10,000 tons of cement.

The state plans to spend 120 million yuan (32 million U.S. dollars) this year in preparing the open-pit mine site which will have an operating capacity of 15 million tons a year.

After a decade exploring the area, geologists have found coal deposits over 300,000 sq km in Shaanxi, Shanxi, Ningxia, and Inner Mongolia.

Total reserves are estimated at 1,000 billion tons. The verified reserves in the Junggar Basin alone are 121.2 billion tons.

**Shanxi Concludes Science, Technology Conference**  
*HK250227 Taiyuan Shanxi Provincial Service  
in Mandarin 2300 GMT 24 Mar 88*

[Excerpts] A provincial conference on science and technology work concluded in Taiyuan on 24 March. [passage omitted] Leading comrades of the provincial party and government including Wang Maolin, Guo Yuhuai, and Wu Dacai attended the closing ceremony.

In a speech, Wang Maolin, deputy secretary of the provincial party committee, stressed the following points in connection with the 13th party congress report's comments on the importance of developing science, technology, and education and on shifting economic construction onto the track of relying on the progress of science and technology and improving the quality of the laborers:

1. The people throughout the province, and first of all the science and technology workers, must fully understand the importance of the progress of science and technology in accomplishing the four modernizations in China, and strengthen their sense of urgency. We must further emancipate our minds, speed up and deepen the reforms, and give scope to our strong points in science and technology to spur the province's economic development.

Emancipation of the mind must first be expressed in relaxation of policies. An urgent task in Shanxi is to further emancipate the mind, overcome old habitual forces, break through all kinds of leftist taboos, and relax the policies.

2. The central and provincial authorities have made explicit arrangements for further deepening the reforms and formulated many reform policies and measures. The current main task is to apply these policies still better, so as to stimulate the development of the reforms. [passage omitted]

3. Economic growth rate is determined by [words indistinct]. The party organizations at all levels must further create an atmosphere of respecting knowledge and talent to suit our [words indistinct] work. We must further develop an open pattern and encourage science and technology personnel to go out of units that are crammed with talent to contract for, lease, or set up various kinds of enterprises and technological service organizations. They should go to the rural areas to provide technological services. [passage omitted]

4. We must speed up the process of converting the fruits of science and technology into productive forces. [passage omitted]

### **Tianjin Foreign Economic Cooperation Reported**

SK250538 Tianjin City Service in Mandarin  
2300 GMT 23 Mar 88

[Text] Tianjin has made a gratifying step forward in opening to the outside world, and has continuously expanded its economic and technological exchanges with foreign countries. Tianjin is one of the 14 coastal cities further opened to the outside world. With the further implementation of the policy of opening to the outside world, it has achieved fairly great development in foreign economic relations, foreign trade, foreign capital utilization, and technology import. Its investment climate, which has been improved every day, has won a good reputation in the world. Over the past 5 years, its foreign export trade has increased steadily. Because the number of foreign trade outlets has increased throughout the country, and the sources of goods supply from outside the municipality have been reduced by a large margin, our municipality has carried out active work to develop compensation trade, and processing and assembling with materials and specifications provided by foreign firms, and strived to expand its exports, and open up h export channels through such methods as barter trade and [word indistinct] trade. It has established nine foreign trade corporations combining industrial production and technological service with trade. The foreign exchange earned from the exports through Tianjin outlet over the past 5 years totaled \$6.588 billion.

Tianjin has established trade contacts with 156 countries and regions of the world, and established long-term business relations with 11,000 foreign firms. More than 800 enterprises throughout the municipality are engaged in direct or indirect exports, and they export more than 1,000 kinds of products.

Economic and technological cooperation with foreign countries has developed rapidly. From 1983 to 1987, contracts on 684 import projects were signed, and the total transactions reached (?\$630 million). Of these projects, 482 have been completed and commissioned. In June 1987, in particular, our municipality established China's first organization to particularly render service to the investment of foreign firms—the Tianjin Foreign Investment Service Center—which has been immensely welcomed by foreign investors.

Construction of the Tianjin economic and technological development zone started in December 1984, and in less than 3 years the infrastructural facilities of the 3-square-km starting area basically have been completed. By the end of 1987, contracts on 85 projects concerning Chinese-foreign joint ventures and cooperative enterprises had been signed with 12 countries and regions, including the United States and Japan. Total transactions of the contracts reached (?720 million), of which 44 percent was foreign investment. Fifty enterprises of those have gone into operation, or opened business. They created

110 million yuan in output value in 1987, and more than 8 million yuan in profits, and earned more than \$4 million in foreign exchange through export.

Our municipality has signed construction contracts with 25 countries and regions, and provided cooperative labor service to 21 others. By the end of 1987, the transactions of the construction contracts and cooperative labor service provided to other countries had reached \$4.09 million.

Friendly exchanges with foreign countries have been unprecedentedly vigorous. Every year the municipality receives more than 70,000 foreign tourists and visitors, and foreigners who come for trade, sports, and scientific and cultural exchanges. In 1987, the number of such foreigners reached 125,700, 1.9 times more than 1982. This has increased the income earned from sources other than trade, and promoted cooperation and friendship.

### **Tianjin Discloses Achievements in Reform**

SK240647 Tianjin City Service in Mandarin  
2300 GMT 21 Mar 88

[Text] Over the past 5 years, our municipality has worked in a down-to-earth manner, taken adequate steps, and scored marked achievements in earnestly implementing the series of arrangements made by the central authorities for reform in the economic system.

In giving a guiding principle to the work, our municipality has asked the units concerned to know well the fundamental purpose of reform, seize the emphasis of reform, firmly grasp the major reform procedures, and create external conditions for reform. Attention has been paid to integrating the central spirit with the actual municipal situation by proceeding from the reality, combining reform with the task of consolidating or developing the excellent situation; and in adopting a careful and active attitude toward the sensitive problems.

Efforts have been made to integrate reform with economic development, to deepen reform in line with the major contradictions cropping up in economic construction, to conduct reforms to promote development, and to regard the task of enlivening the enterprises and the grassroots level units as a central link in conducting reforms to vigorously bring into play the enthusiasm of the vast number of people. Efforts have been made to regard the work of promoting production development and increasing economic results as the standard of deepening reforms. In line with various conditions, our municipality has dealt with each case on its merits, conducted classified guidance, and refrained from seeking uniformity in doing everything.

In the rural areas our municipality has won a decisive victory in conducting first-stage reforms by concentrating on enforcing the household responsibility system which bases remuneration on farm output and entered the second stage of reforms with the central task of promoting the development of commodity production.

The rural economy has begun to turn itself into a specialized, commercialized, and modern one. Since 1984 our municipality has successively conducted reforms in the managerial system of production and sales concerning aquatic products, milk, poultry, and eggs. It has scored marked achievements in enforcing the unified managerial system in production, supply, and sales, which is guided by the agricultural departments and which has promoted the stable development of nonstaple foodstuff production, upgraded the standard of work of serving the urban areas, reduced the links of commodity circulation, further enlivened the markets in both urban and rural areas, and paved a way to deepen reforms in commodity circulation and to successfully connect the urban reform with the rural one.

In the urban areas our municipality has achieved deep development in reforms in various fields by firmly grasping the central task of strengthening the vitality of enterprises. Particularly in 1987 the municipality scored marked results in implementing the guiding ideology of closely integrating the drive to deepen reforms with the campaign of increasing production and practicing economy as well as of increasing incomes and curtailing expenses, and the guiding principle of mixing the experiences gained in both the drive and the campaign to make progress.

The industrial front has comprehensively enforced the responsibility systems of various kinds and the systems of inviting tenders and offering rent, and conducted the pilot work of enforcing contracting systems for running enterprises. In 1987, 105 large key enterprises which had taken the lead in enforcing responsibility systems scored a 14.9-percent increase over the 1986 figure in their output value, an 18-percent increase in their incomes earned from sales, a 12.1-percent increase in their taxes and profits, and a 10.4-percent increase in their taxes and profits handed over to the state. The drive to conduct reforms has brought into play the enthusiasm of the broad masses of staff members and workers. The per capita productivity of the state-run enterprises which conduct independent accounting throughout the municipality has shown a larger increase over the past few years. The 1987 per capita productivity of them reached 25,087 yuan, a 31.3-percent increase over the 1982 figure of 18,540 yuan, which ranked the municipality second in the country in this regard.

The construction front has generally shortened its construction periods by 30 percent and lowered its construction prices by 5-10 percent thanks to enforcing the systems of contracting responsibility for the projects from which 10,000 yuan in profits can be earned, and of inviting tenders.

The municipal authorities have delegated power to local leadership in managing ports throughout the municipality and enforced the system of improving port operation by depending on the profits earned from the port business. Therefore, the volume of freight handled and other

economic and technical targets have topped the previous peaks and the municipality has dealt with the long-standing, big, and difficult problems of putting off the loading or unloading of freight.

The commodity circulation front has established more than 30 trade centers and a large number of wholesale markets by doing away with the system of setting up wholesale firms in line with the administrative levels. The municipality has also enforced on a trial basis the unified system between industry and commerce on the medical care, medicine, and other fronts. All of these have favorably promoted commodity circulation and the exchange between urban and rural areas.

The municipality has made an early start in conducting reform in science and technology. In May 1984 the municipality established the first permanent technical market of the country. At present, the municipality has more than 570 institutions in charge of the business of scientific and technological products.

The municipality has also made a larger step in conducting reform in the system concerning districts and neighborhoods, delegated power to the grass-roots level units in line with the principle of turning large cities into small ones and having districts obtain relative independence. It has imposed heavy duties on the districts and neighborhoods in managing the urban affairs and making arrangements for the people's livelihood. Thus, the work of dealing with the affairs concerning districts and neighborhoods has become unprecedentedly active and played an increasingly large role in urban economic and social development.

### Northeast Region

#### Shenyang City Plans To Open Stock Market *OW250139 Beijing XINHUA in English 1525 GMT 24 Mar 88*

[Text] Shenyang, March 24 (XINHUA)—Shenyang, northeast China's largest industrial city, plans to open a stock market this year, the city's mayor, Wu Disheng, announced today.

According to Wu, the shareholding system has already been introduced in 486 of Shenyang's enterprises, which include 155 industrial and 331 commercial operations.

The Shenyang Jinbei Automobile Company, Ltd. has issued more shares than any other company in China, Wu said, adding the firm has a total investment of 500 million yuan (135 million U.S. dollars) and will issue another 100 million yuan (27 million U.S. dollars) worth of shares in April.

Besides introducing the share holding system in the city's smaller state-owned and collectively-run enterprises, the mayor said, more larger state-owned enterprises will try out the system this year.



Wu also said, enterprises are being encouraged to take on new projects and modernize existing facilities with the funds they collect from shares.

"Setting up a stock market is something new for Shenyang," a local government official said, "and we're in the process of selecting and training specialized personnel for the job."

**Science, Technology Zone Developing in Shenyang**  
*OW250312 Beijing XINHUA in English 0217 GMT 25 Mar 88*

[Text] Shenyang, March 25 (XINHUA)—A 2.3 km street in this capital city of Liaoning Province is undergoing large-scale renovations to turn it into a showpiece of high-tech and new industries.

Along the street are research institutes operating under the Chinese Academy of Sciences, Liaoning Province and Shenyang City, the patent office, the software consultant agency, computer shops and scientific and technological management units.

About 100 advanced learning and research institutions from other parts of China have indicated an interest in opening centers there, too.

Zhang Rongmao, Shenyang deputy mayor, said the street is part of the Nanhu Science and Technology Zone, a 15-sq km area set up last September.

Nanhu has 11 colleges and universities and 24 research institutes employing 12,000 researchers and teachers.

A number of new and high tech industrial complexes are planned while Shenyang's existing enterprises built during the First Five-Year Plan period (1953-1957) are slated for upgrading.

The zone will be divided into research and teaching, new industrial experiment and park areas. Technological research areas include automation, information, new materials, biology and laser.

Plans also call for a science garden, a youth popular science park and a science demonstration village to be built after the street is completed.

Construction of the entire project is being carried out in three stages and will be completed by 2000.

**Northwest Region**

**Shaanxi Leader Calls for Strengthening CPC Work**  
*HK241544 Xian Shaanxi Provincial Service in Mandarin 0030 GMT 24 Mar 88*

[Excerpts] A party members' representative conference of organs directly under the provincial people's government concluded yesterday.

In his speech at the conference, Vice Governor Xu Shanlin stressed: Under the new situation, party work in our units must be strengthened. We must not weaken party work in our units to the slightest degree.

Vice Governor Xu Shanlin said: At present some of our party members and cadres abuse their power for personal gain; some show a conservative, rigid, and ossified way of thinking and lack the spirit of promoting reforms and opening up new paths; some show a serious bureaucratic way of doing things and lack a sense of revolutionary responsibility; and some show a blunted sense of organizational discipline and also serious liberal tendencies. These existing problems fully demonstrate that our task in strengthening the party's organizational and ideological building is still very arduous.

Vice Governor Xu Shanlin added: At present we must organize our party members and cadres to conscientiously study the documents of the 13th party congress. At the same time we must: Integrate this with study of Comrade Deng Xiaoping's two books; enable our party members and cadres to further emancipate their minds; establish a new criterion of productivity; and overcome various passive sentiments such as cherishing the outmoded and preserving the outworn, being overcautious, being in a state of inertia, and adopting a wait and see attitude. We must arrange other work around the central task of promoting productivity, conscientiously proceed from the actual conditions of our own departments or units, boldly make explorations, and successfully carry out all types of work. [passage omitted]

Vice Governor Xu Shanlin said: We must also strengthen the party's organizational building. In recruiting new party members we must uphold the standards of party members. We must promptly recruit those new party members who are determined to carry out reforms, are bold in opening up new paths, are qualified for party membership, and are willing to keep themselves within the bounds of party rules and discipline. At the same time we must pay close attention to preventing the following types of people from joining our party organizations: People who just want to seek personal gain through membership of the ruling party; those who do not want to do their duties as party members; and people who have impure motives.

**Mainland-Taiwan Entrepot Trade Increases**  
*OW241351 Beijing XINHUA in English 1059 GMT  
24 Mar 88*

[Text] Hong Kong, March 24 (XINHUA)—Entrepot trade between China's Mainland and Taiwan is rising in quantity and variety, the Hong Kong based "WAH KIU YAT PO" reported today.

Since such trade began in 1978, the annual trade volume shot up 20 times to reach 1.56 billion U.S. dollars in 1987 with huge surpluses on the Taiwan side, it said.

The total entrepot trade volume for the past nine years has snowballed to 5.6 billion U.S. dollars.

The trade has developed from export of Taiwan goods in the early 1980s to a bilateral trade contact. The mainland's exports to Taiwan last year more than doubled the 1986 figure to reach 300 million U.S. dollars, the paper said.

However, over the past nine years, the trade deficit of the mainland has accumulated to 3.46 billion U.S. dollars, it reported.

Based on the early exports of consumer goods and native products, more shipment of machinery equipment and raw materials was conducted in recent years.

Before 1985, Taiwan mainly sold to the mainland electric household appliances, nylon cloth and umbrellas. The past two years saw an increase in its export of semi-finished industrial products and machines.

The mainland has also begun selling industrial raw materials to Taiwan in addition to traditional Chinese medicine and native and side-line products.

**Taiwan Capital Invested in 46 Fujian Enterprises**  
*HK250627 Beijing ZHONGGUO XINWEN SHE  
in Chinese 0754 GMT 22 Mar 88*

[Report: "There Are 46 Enterprises Involving Taiwan Capital in Fujian"]

[Text] Fuzhou, 22 Mar (ZHONGGUO XINWEN SHE)—As revealed by the relevant departments in Fujian Province, by the end of February there were 46 enterprises in the province with Taiwan capital. Investments made by Taiwan businessmen total \$4.45 million. These enterprises are run in Fujian through third parties entrusted by Taiwan businessmen.

Of the 46 enterprises, 27 are joint-venture enterprises, 9 are based on cooperative operation, and 10 are run solely by Taiwan capital.

Most of these enterprises are of the production type, mainly producing plastic products, electronic components, sports shoes, garments, fodder, and so on. They are mostly labor-intensive enterprises. Most of the joint-venture partners are township and town enterprises.

It has been learned that starting from the second half of last year, taking the opportunity of visiting their relatives, more and more Taiwan businessmen have come to Fujian to discuss matters concerning investments and running factories. But most of them have not yet fulfilled their plans because of formalities, restrictions on the free flow of foreign exchange, and so on.

**Sun Li-jen, Chang Hsueh-liang Cases Discussed**  
*HK241445 Hong Kong ZHONGGUO TONGXUN SHE  
in Chinese 0701 GMT 23 Mar 88*

[Report: "Li-jen Is Sound and Intact, What About Hsueh-liang?"]

[Text] Hong Kong, 23 Mar (ZHONGGUO TONGXUN SHE)—Since Cheng Wei-yuen, Taiwan's "minister of national defense," went to Taichung to see Sun Li-jen on 20 March, General Sun Li-jen, who "has lived in seclusion" for over 30 years, has become the focus of Taiwan public opinion.

At a meeting with Taiwan reporters, Chiang Hsiao-yu, the wife of General Sun Li-jen's adopted son, said that Sun Li-jen has been granted complete freedom since Cheng Wei-yuen's visit to the general. Now General Sun Li-jen no longer has to ask for the approval of the higher authorities through his bodyguards when he goes somewhere. Moreover, General Sun Li-jen is no longer kept under close watch when he goes out shopping.

Chiang Hsiao-yu stressed that General Sun Li-jen is now an old man of nearly 90 years, and that freedom of movement does not mean much to him. The rehabilitation of General Sun Li-jen, who has been wronged for several decades, is the strongest wish of General Sun Li-jen and his family. Chiang Hsiao-yu said that at present, she and her husband, Chieh-chun, who is the adopted son of General Sun Li-jen, are making efforts through various channels to urge the Taiwan authorities to make public the real truth of the "Sun Li-jen Case" so as to rehabilitate General Sun, who has been wronged for several decades, as soon as possible.

Sun Li-jen was involved in the "communist espionage" case and the "mutiny" case of Kuo Ting-liang, an instructor at the Taiwan Infantry School, in 1955. He was later removed from office as the president's chief military aide. Since then, General Sun Li-jen has been confined to "closed-door repentance" and has lived a secluded life. Although it is said that General Sun Li-jen

has been granted complete freedom, when Chang Tzu-yuen, mayor of Taichung City, went to see this old citizen, he was told that General Sun Li-jen did not want to meet any guests and was, therefore, refused entry by the general's bodyguards.

In Taiwan, there is another man whose case is similar to that of General Sun Li-jen. He is Chang Hsueh-liang, who "has lived in seclusion" for most of his life because of his involvement in the "Xian Incident." Recently, the situation of Chang Hsueh-liang has also attracted the Taiwan public's attention. Not long ago, during an interpolation in Taiwan's "Legislative Yuan," Tsai Sheng-pang, a member of the "Legislative Yuan," demanded that the authorities free General Sun Li-jen and General Chang Hsueh-liang from house arrest and grant them complete freedom. The reply was that both of them had been granted freedom long ago. However,

when Tsai Sheng-pang paid a courtesy visit to Chang Hsueh-liang's residence, he was politely refused entry by the general's bodyguards. Over the past few days, many newsmen have tried to interview Generals Sun and Chang, but they have all been refused entry.

Taiwan's CHUNG KUO SHIH PAO today published an editorial on the bitter experiences of General Chang Hsueh-liang and General Sun Li-jen entitled "Congratulations To Sun Li-jen, Pleading on Behalf of Chang Hsueh-liang." The editorial pointed out that Cheng Wei-yuen's visit to Sun Li-jen is worth applauding. The editorial also expressed the hope that the Taiwan authorities will also "show benevolence to the old Chang Hsueh-liang and let the old man, who has already been punished, become an ordinary citizen and live freely again."



## Latest Foreign Trade Statistics Released

### Deficit Increases

OW250453 Taipei CNA in English 0406 GMT  
25 Mar 88

[Text] Taipei, March 25 (CNA)—The latest statistics show the Republic of China's [ROC] trade deficit in March continues to widen, with the gap opening to U.S.\$151 million during the first 19 days of this month.

Earlier statistics showed that the deficit in the first 12 days of this month was U.S.\$97 million, the first deficit reported in 5 years.

Government officials were alarmed by the development and called for a study of measures necessary to cope with the situation.

The ROC exported U.S.\$2.5 billion in goods in the first 19 days of March against imports totalling U.S.\$2.651 billion, according to trade figures.

Exports decreased by 1.7 percent from the same period last year, while imports increased sharply by 66.8 percent.

Meanwhile, officials said the widening deficit also indicates that efforts to increase domestic demand have begun to take effect.

The ROC enjoyed a trade surplus of U.S.\$19 billion last year. In the first 2 months of this year, the country registered a surplus of U.S.\$955 million.

### Imports of U.S. Goods Rise

HK241336 Hong Kong AFP in English 1220 GMT  
24 Mar 88

[Text] Taipei, March 24 (AFP)—Taiwan has become the fastest-growing market for U.S. goods and is also the ninth-largest export market for the United States, the Board of Foreign Trade said Thursday.

U.S. exports to Taiwan rose 34.2 percent from a year earlier to 7.41 billion dollars last year, compared with an average rate of 11.5 percent, board division chief Tseng Lien-feng said.

Comparative rates were 31.5 percent for Hong Kong, 27.4 percent for South Korea and 19.9 percent for Singapore, Mr Tseng said.

Taiwan's rank as a market for U.S. goods rose from tenth place in 1986 to ninth last year, following Canada, Japan, Mexico, Britain, West Germany, South Korea, France, and the Netherlands, he said.

Taiwan was the fourth-largest source for U.S. imports in 1987, supplying 26.4 billion dollars worth of goods, according to the U.S. Commerce Department.

Mr Tseng also said that Taiwan ranked second after Japan as the country having the biggest trade surplus with the United States—18.99 billion dollars in 1987 compared with Japan's 59.83 billion dollars surplus.

He predicted that the island's trade surplus with the United States would narrow to below 10 billion dollars in 1988.

## Journalists Found Not Guilty for Mainland Visit

OW250046 Taipei CNA in English 1545 GMT  
24 Mar 88

[Text] Taipei, March 24 (CNA)—The Taipei District Court ruled Thursday that two journalists of the local INDEPENDENCE EVENING POST were not guilty of forgery for their news coverage on the China mainland in September last year.

Wu Feng-shan, president of the INDEPENDENCE EVENING POST, and reporter Li Yung-teh were charged by the Government Information Office [GIO] with forging documents necessary for the mainland trip by Li and his younger colleague, Hsu Lu.

The court pointed out that the accused had sent the GIO an application on Sept. 9 last year to cover news in Japan. Li Yung-teh went to the GIO to complete the application procedures and his application was approved by the GIO. Li left Taipei for Japan on Sept. 11, 1987, proceeded to Peiping from Tokyo three days later in order to gather news, and returned to Taipei Sept. 27.

The court held that government employees have the obligation to register applicants in accordance with the contents of an application. They should carefully screen each application to see whether the contents of the application are true before actually registering it. Therefore, the accused in this case were not guilty, the verdict noted.

Although the accused had travelled on to the China mainland to cover news without informing the GIO in advance, their conduct, however dishonest as it might seem, was not punishable by existing laws, the court said.

Meanwhile, the GIO announced in a formal statement that it will respect the verdict of the Taipei District Court.

## Government To Allow Mainland Publications

OW250108 Taipei CNA in English 1519 GMT  
24 Mar 88

[Text] Taipei, March 24 (CNA)—Local publishers will be allowed to republish mainland publications in Taiwan if they have the permission of the authors and if the contents of the books do not violate the Republic of China's [ROC] basic policies, Shaw Yu-ming, director general of the Government Information Office, said Thursday.

For the time being, films featuring mainland scenes are still banned from TV screens, but the government will consider whether the regulation should be revised when it reviews the mainland visit policy in May, Shaw said.

Works by mainland authors are cultural property that belong to all Chinese people, and not just to the Chinese Communist regime. The people in Taiwan are entitled to share in these creative works as long as the publications do not advocate communism or violate the ROC's established policies, he said.

To protect the interests and rights of mainland authors, the government will strictly require local publishers to obtain authorization from the authors before printing their works in Taiwan, Shaw stressed.

In seeking the authorizations, Shaw warned, local publishing companies must abide by the nation's policy of "no contacts, no negotiations and no compromise" with the Chinese Communist regime.

**Kuomintang Will Follow 'Closely' Mainland NPC**  
*HK250343 Hong Kong SOUTH CHINA MORNING POST in English 25 Mar 88p 6*

[Text] The Kuomintang [KMT] Government in Taiwan will be following closely the National People's Congress as it unfolds over the next three weeks.

Under President Li Teng-hui, the new leadership in Taipei has continued to emphasise the need for Beijing to renounce the use of force and the insistence on the four cardinal principles before any official reconciliation can be made.

But recently, Taiwan is said to have softened its stance, especially with the ongoing reforms on the mainland that show a drastic change within the communist system.

Prime examples are compromises made for private enterprises and transfer of land rights on the mainland.

KMT leaders view these changes as a return to the three principles of the people (nationalism, democracy and people's livelihood), as advocated by the founder of the KMT and father of modern China—Dr Sun Yat-sen.

Re-appointments of non-Communist Party members as senior Government officials should also prove an attraction to the KMT. Beijing has said that after re-unification, KMT officials from Taiwan can take up government positions in the central government.

The making of Hainan Island an independent province will attract great attention from Taipei. Beijing hopes to lure Taiwan back into the mainland's ambit by demonstrating that the central Government can take an "arm's-length" approach to an island province.

Taipei is interested in the mainland's opening up further to the outside world. The opening will present an opportunity as well as competition to Taiwanese businessmen.

The democratic show by this NPC is expected to have an impact on Taiwan which will have its party congress later this year.

The KMT will have to assess the implications of leadership changes in Beijing on the re-unification issue.

General Yang Shangkun, who has long been in charge of the Taiwan affairs, is expected to become the new state president. This will mean the head of state will handle the issue himself.

**Acting KMT Chairman Urges Far-Sighted Publicity**  
*OW250337 Taipei CNA in English 0240 GMT 25 Mar 88*

[Text] Taipei, March 25 (CNA)—Acting Kuomintang [KMT] Chairman Li Teng-hui Thursday urged the ranking officials of the party's cultural enterprises to use their wisdom and far-sightedness to make the party's current publicity work a greater success.

Acting Chairman Li, in the company of Li Huan and James Soong, secretary general and deputy secretary general of the KMT Central Committee, visited the KMT Department of Cultural Affairs Thursday.

Attending the meeting were Raymond Tai, director of the KMT Department of Cultural Affairs; three deputy directors and ranking officials of the department; and the heads of the KMT's eight cultural enterprises.

During the 3 and 1/2 hour meeting, the first he had attended since becoming the KMT acting chairman, Li and the KMT officials discussed work in detail after hearing the work reports.

Li said since the Government lifted the emergency decree last year, the Republic of China has seen drastic changes in politics, economics, and social structure, and is rapidly transforming itself into a pluralistic society.

Facing an ever-changing situation, all KMT staff members involved in the publicity work should broaden the range of their vision and strengthen their services for the local mass media, Li noted.

He also emphasized the importance of communicating with the general public. "Every KMT cultural enterprise, in line with the party's publicity policy, should do all it can to fully reflect public opinion," the acting chairman said.

Li praised the KMT officials in charge of the cultural enterprises for their outstanding performance and contributions to the party in past years.

The acting chairman, however, also hoped they would not be content with their present performance. Instead, they should continuously formulate far-sighted ideas and measures to implement them, thus keeping the nation on the track of normal development.

Addressing the meeting, secretary general Li Huan also lauded the Department of Cultural Affairs for its active work in publicizing the Government's political reforms, which he said have won the support of the public.

At the end of the meeting, Raymond Tai delivered a general work report, explaining how the KMT had adjusted its publicity campaigns after the lifting of the emergency decree and outlining the direction of his departments future work.

**Spokesman Reiterates Nuclear Research for Peace**  
*OW250104 Taipei CNA in English 1540 GMT 24 Mar 88*

[Text] Taipei, March 24 (CNA)—The Republic of China [ROC] has never changed its decision not to develop nuclear weapons, Shaw Yu-ming, director general of the Government Information Office, said Thursday.

Speaking at a press conference for local and foreign news reporters, Shaw said the ROC's nuclear research is only for peaceful purposes and not for the manufacture of nuclear weapons.

He said the International Atomic Energy Agency sends officials to inspect the ROC's nuclear activities every year and has never disagreed that the ROC's research on nuclear energy is for peaceful use only.

**DPP Supports Direct Local Elections**  
*OW240341 Taipei TZU LI WAN PAO in Chinese 12 Mar 88 p 1*

[Text] According to a dispatch from Taipei, members of the Democratic Progressive Party [DPP] gathered at 0900 on the morning of 12 March at the gate of the Taipei Municipal Council site to stage a "mass demonstration for the election of provincial governors and city mayors by the people." The demonstration was led by Legislator Kang Ning-hsiang as the chief coordinator, and Chairman Kang Shui-mu of the party's headquarters in Taipei Municipality as the commander in chief. About 30 small pickup trucks and 10 sedans were mobilized for the demonstration. The demonstration, which started at the gate of the Municipal Council site, went through the streets and ended at the Taipei municipal government site, covering a total of 43 meters. The motorcade maintained a pace of 20 kilometers per hour. The entire demonstration lasted about 12 hours. During the demonstration, the Police Department sent out 10 police cars from the Traffic Detachment to lead the demonstration and maintain public order. The police cars were led by Chang Chi, head of the Traffic Detachment.

At 0830, people had already begun to gather at the gate of the Municipal Council site. The police had mobilized early in order to deal with the demonstration. Liao Chao-hsiang, head of the municipal Police Bureau; Wang Tai-chen, deputy head of the Police Bureau; and Yeh Liang-hui, head of the Chengchun Police Station, also arrived at the scene. On the side of the DPP, nearly all the people's deputies in Taipei and Kaohsiung and throughout the province participated in the demonstration. They included Taipei Municipal Council members Chou Po-lun and Lan Mei-chin; Kaohsiung City Council members Chu Hsing-yu and Lin Li-cheng; and Taiwan Provincial Council members Huang Yu-chiao and Su Chen-chang. In addition, Legislators Yu Ching and Hsu Jung-shu, DPP Chairman Yao Chia-wen, and chairmen of the party's various county and city committees also arrived to support the demonstration. All the major cadres of the DPP have been mobilized in order to fulfill the political demand for the "election of provincial government and city mayors by the people."

By 0900, the DPP motor vehicles had already arrived. The motorcade extended from the gate of the Ministry of Education on Chungshan Road South to the Municipal Council site. After Kang Ning-hsiang held his last round of consultations with Liao Chao-hsiang, it was decided to stage the demonstration as scheduled. Kang Ning-hsiang suggested that Liao also take part in the demonstration. Some people were selling DEMOCRATIC PROGRESS TIME magazines.

At 0930, the demonstration began after Kang Ning-hsiang put the contingent of demonstrators in order.

Due to the huge size of the demonstration, the situation was quite chaotic, although efforts were made to exercise traffic control. When the motorcade arrived at the Kang Shui-mu Service Center on Hsitsang Road around 1000, DPP members set off a string of firecrackers as long as 100 meters. When the motorcade arrived at the headquarters of the DPP Central Committee on Chienkuo Road North at 1050, firecrackers were once again set off to celebrate the occasion. When the motorcade arrived at Yenping Road South and Minchuan Road North Circle, it once again created a traffic jam.

**Ecuador's Vice President Arrives for Visit**  
*OW250417 Taipei CNA in English 0307 GMT 25 Mar 88*

[Text] Taipei, March 25 (CNA)—Ecuador's Vice President Blasco Penaherrera Padilla and his wife arrived in Taipei Thursday night for a 9-day visit.

During their stay in Taiwan the Ecuadoran vice president will call on President Li Teng-hui and Premier Yu Kuo-hua, and meet with Foreign Minister Ding Mou-shih and other ranking government officials. They will also visit economic and cultural establishments in central and southern Taiwan.

The Penaherreras are scheduled to depart on April 1.



### Hong Kong

#### **Governor, UK Reach Agreement on Defense Costs** *HK250215 Hong Kong SOUTH CHINA MORNING POST in English 25 Mar 88 p 1*

[By John Tang and Simon Macklin]

[Text] The Governor, Sir David Wilson, said last night he had reached agreement with the British Government on sharing costs for the maintenance of the British garrison in Hong Kong.

The breakthrough comes after almost a year of intense and sometimes heated negotiations, which broke down at the end of last month.

Although the arrangement struck seven years ago expires on Thursday, there will be no shortfall in finance for the British troops in Hong Kong, because accounts are prepared three months in arrears.

Sir David would not disclose the new ratio of costs to be paid by each side when he arrived back at Kai Tak from London last night.

"I can't go into the details of it until the final print has been written down and approved," he said.

However, the SOUTH CHINA MORNING POST believes Britain has agreed to pay an additional five per cent of the costs, which will leave Hong Kong taxpayers to foot 70 per cent of the bill.

Under the existing agreement, Hong Kong bears 75 per cent of the cost, which this financial year cost local taxpayers \$1.71 billion.

Legislative Councillors had made it clear they would block the allocation of funds for the garrison through the Finance Committee if the Government could not reach a more favourable agreement.

It is understood that under a complicated formula worked out by the two sides, the British Government will return some of the costs in payment for services provided to the garrison by the Hong Kong Government.

Hong Kong will also pay gradually less in the buildup to 1997 as local security services take over the role presently performed by the 9,000-strong garrison.

Sir David said he had gone to London to follow up discussions and exchanges that the Hong Kong Government had been having with British ministers since the last round of talks.

"As a result, I believe we now have a satisfactory basis for a new defence costs agreement.

"Experts on both sides will be meeting soon to draw up heads of agreement; that is, to write down the details of a new agreement."

Sir David said he hoped the new agreement would be completed and approved by the Legislative Council's Finance Committee next month.

The Financial Secretary, Mr Piers Jacobs, said he would meet Sir David today to hear the full details of his London negotiations.

The work remaining to be done on the agreement was mostly procedural and would not necessarily require a meeting between the two sides, he said.

"The basic points have been agreed and a report should be able to be made to the Executive Council at the next meeting."

The basis for the new agreement is believed to have been hammered out before the beginning of the week when one of the key negotiators on the local team, Assistant Financial Secretary Ian Wotherspoon, went on annual leave.

Sir David then met officials from the Foreign Office and the British Treasury to complete the negotiations.

The role of the garrison has altered since the signing of the Sino-British pact because there is now no real possibility of military incursions from China.

Hong Kong's taxpayers will be asked to meet increasing costs for local security forces as they are expanded to take on some of the duties performed by the garrison.

But the British Government has itself been under pressure to make cuts in defence spending and has not been prepared to take on additional costs.

No provision was made for the payment of defence costs in the budget tabled in the Legislative Council at the beginning of the month but a contingency fund was established to cover Hong Kong's share of the costs once the agreement was reached.

Sir David described his seven-day visit to London as "a short visit, but a useful one".

He met the Foreign Secretary, Sir Geoffrey Howe, and senior Foreign Office officials and briefed them about the development of Hong Kong.

He also met Home Secretary Douglas Hurd and discussed the growing Vietnamese refugee problem in Hong Kong.

#### **Chief Secretary, UK Officials To Meet in London** *HK250227 Hong Kong HONGKONG STANDARD in English 25 Mar 88 p 2*

[By S.Y. Wai]

[Text] The Chief Secretary, Sir David Ford, yesterday confirmed a report in THE STANDARD that he would meet Foreign and Commonwealth Office officials in London next week.

But Sir David, who leaves today for a two-week visit to the UK, would not comment on what would be discussed during the meetings.

On Wednesday, it was reported that Sir David would go to London to give politicians and the British media the Government's side to Hong Kong's political reform story.

This would give a balance to the views presented earlier by two Hong Kong delegations. The Government felt that the delegations distorted the "true story".

Speaking to reporters after touring Heng On Estate and Kam On Court in Ma On Shan, Sir David said that his visit would be mainly private.

"But I'm taking the opportunity while I'm in London to meet a few people at the Foreign and Commonwealth Office...that's absolutely standard," he said.

"I don't think any of us (top Government officials) can ever go to London without fitting a bit of work into the visit," he said.

When asked if the defence cost issue would be discussed, Sir David replied: "I don't think I shall be discussing the Defence Costs Agreement. That's really the Financial Secretary's side of the house."

Turning to the \$585 million Ma On Shan estates which house 7,050 families, Sir David said he was excited to see them developing into a community.

Sir David earlier officiated at the opening of the Heng On Estate, which he said was a good example of what the Housing Authority had been doing.

"The last time I had anything to do with this estate it was a small model on a table when I was Director of Housing, and we were moving the models around to see what the building blocks would look like," he said.

Sir David also thanked the retiring Secretary for Housing, Mr John Todd, for his contribution to public housing in Hong Kong.

"I'm sure he feels, as I do, immensely proud to have been associated with public housing in Hong Kong," he said.

"He will be an honoured member of the 'Housing Authority Alumni' and I hope he will come back for a reunion as often as he can," Sir David joked.

Speaking about the revamped Housing Authority which comes into being next month, Sir David stressed that it would be operated with a high degree of flexibility.

He said the new authority was not aimed at reducing the Government's commitment to public housing as some critics had speculated.

**Local Firm Implicated in Illegal Arms for Iran**  
*HK250243 Hong Kong SOUTH CHINA MORNING POST in English 25 Mar 88 p 1*

[Text] The Hong Kong subsidiary of a French weapons manufacturer has been implicated in illegal arms deals with Iran.

An Italian arrested in Italy earlier this week on charges of international arms trafficking, pointed the finger at the Hong Kong subsidiary of the French Luchaire weapons manufacturer, Seaconsar, official sources in Venice said.

Luigi Corsi, director of Luchaire's Italian company, Consar, said messages concerning arms deals which police said were found in the Genoa offices of the Islamic Republic of Iran Shipping Company, had been issued by Seaconsar in Hong Kong.

Corsi was arrested in connection with a judicial inquiry to determine how French-made weapons, including shells and munitions, labelled for other clients ended up in the Iranian port of Bandar Abbas.

**Delegate to NPC Refuses To Vote for Presidium**  
*HK250403 Hong Kong HONGKONG STANDARD in English 25 Mar 88 p 1*

[Text] A Hong Kong delegate to China's National People's Congress [NPC], Miss Liu Yiu-chu, yesterday rocked the People's Hall in Beijing by refusing to vote for most of its Presidium candidates.

Miss Liu, one of the 2,975 delegates to the Chinese parliament, told the official CHINA NEWS SERVICE that she abstained from voting because she is not familiar with most of the people on the candidate list.

She questioned the nature of the election, claiming it is not an election at all.

"Today's election is in fact a recommendation of an equal number of candidates to an equal number of seats. I am confused by this sort of election. So I can't randomly cast my votes on them.

"I am voting for the Chinese people and the Hong Kong people, not to cast a vote of confidence in our leaders (who compiled the list).

"I can't be a hand-raising machine, otherwise I would disappoint those Hong Kong people who have high hopes in us," Miss Liu said. She is one of four lawyers among the delegates.

A total of 162 candidates were elected to the NPC Presidium yesterday.

**Macao**

**Governor Melancia To Visit Beijing in May**  
*HK251046 Hong Kong AFP in English 1039 GMT*  
*25 Mar 88*

[Text] Macao, March 25 (AFP)—Macao Governor Carlos Melancia is to visit China in May, the LUSA NEWS AGENCY reported here Friday.

In Beijing, Chinese Foreign Affairs Minister Wu Xueqian is already preparing for the visit, which is to be announced next month, the agency said, quoting Chinese sources.

This will be Mr. Melancia's first visit to China and the first such trip since the signing of the Sino-Portuguese agreement on the future of Macao on April 13, 1987.

In Beijing, Mr. Melancia is to meet Ji Pengfei, director of China's Hong Kong and Macao Affairs Office, who is to visit both territories later this year.



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**DATE FILMED**

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